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Reagan Now Says Execution Of Iran Policy Was 'Flawed'

By Gerald M. Boyd
New York Times Service

WASHINGTON — President Ronald Reagan, adopting a highly personal and apologetic tone, has said the execution of his secret policy initiatives toward Iran was "flawed, and mistakes were made."

The remarks by the president, made in his weekly Saturday radio address, marked a clear shift away from the defiant stance he had previously adopted in the face of public and congressional opposition.

Mr. Reagan did not abandon his repeated refusals to call the Iran policy a mistake, and he continued to express belief that the secret diplomatic initiative was proper. He did not specify how the execution had been flawed, or who was responsible.

Even so, the approach was one of the most remorseful Mr. Reagan has ever offered the nation. He said he was "deeply disappointed" that the Iran initiative has caused such a controversy and "regretted" the concern and consternation it had caused the public.

The House speaker, Thomas P. O'Neill Jr., who delivered a Democratic statement recorded earlier, urged the president in sharp terms to acknowledge that the decision to sell arms to the Iran of Ayatollah Ruhollah Khomeini was wrong.

"The American people did not build this country to what it is today so that the arsenal of democracy would become the arsenal of the ayatollah," said Mr. O'Neill, Democrat from Massachusetts. "Paying tribute to terrorists is the one sure way to keep them killing.

"It is time for Ronald Reagan, our president, to say that sending the weapons of death to Iran was a terrible decision that must never be repeated."

Mr. Reagan began his address, which he delivered from the presidential retreat at Camp David, Maryland, by saying he wanted to share "some personal thoughts" and "to speak to you, the American people, from the heart."

After discussing the effort to open contacts with Iran in the hope of curbing terrorism, he said:

"But now I want to speak to you about something else — not the policies themselves, but how they were carried out. And while we're still seeking all the facts, it's obvious that the execution of these policies was flawed, and mistakes were made.

"Let me just say it was not my intent to do business with Khomeini, to trade weapons for hostages, nor undercut our policy on antiterrorism. And let me say again, I know the stories of the past few weeks have been distressing.

"I'm deeply disappointed this initiative has resulted in such a controversy," Mr. Reagan said, "and I regret it's caused such concern and consternation. But I pledge to you, I will set things right."

The president's tone and even some of his phrasing was similar to that used by Vice President George Bush on Wednesday when he became the first senior White House

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LATE NEWS

Belgian Police, Protesters Clash

BRUSSELS (Reuters) — Riot police wielding batons and firing tear gas clashed Sunday with Dutch-speaking rightist extremists protesting against a French-speaking mayor in Belgium's Fourons region.

Police reported about 20 arrests during the clashes that erupted after about 600 demonstrators converged on the Dutch-speaking region's main town of Fouron-le-Comte. The demonstrators, many of whom had entered from the Netherlands, said they were staging a "Flemish offensive" against the acting mayor, José Happart.

SPECIAL TODAY

Charles Waller

The leaps and bounds that have characterized world stock markets since the early 1980s are unlikely to be duplicated next year.

U.S. Asked Brunei To Help 'Contras'

By Bernard Gwertzman
New York Times Service

WASHINGTON — Brunei, an oil-rich Southeast Asian nation, agreed to a State Department request earlier this year to aid the Nicaraguan rebels, administration officials have said, contributing several million dollars to a secret Swiss bank account run by Lieutenant Colonel Oliver L. North.

The State Department would not officially confirm the transfer of the funds or its role in the matter.

But administration officials said Saturday that the request to Brunei's ruler, Sultan Muda Hassanal Bolkiah, was initiated by Elliott Abrams, assistant secretary of state for inter-American affairs, and had the approval of Secretary of State George P. Shultz.

Mr. Abrams would not comment on his role.

Administration officials said that the State Department's role was legal.

They said a congressional conference report in 1985, accompanying Congress's approval of $27 million in humanitarian aid to the Nicaraguan rebels, known as the "contras," had authorized the department to solicit other humanitarian donations from foreign governments.

But administration officials conceded that once the sultan made his contribution, said to be less than $10 million, there was no way for the State Department to know whether it was being used for humanitarian aid or military assistance.

The fact that the money was provided to a Swiss bank account managed by Colonel North, the National Security Council aide who was dismissed last month for his role in diverting Iranian payments for arms to the contra account, strongly suggested that the Brunei money may have been spent on military equipment for the contras, officials acknowledged.

Congress in 1985 had ruled out any military assistance to the contras.

This year, it changed its mind and agreed to $100 million in aid to the contras, of which $70 million was in military assistance.

U.S. Fails to Press for 'Contra' Aid During Visit by Costa Rican Leader

By Don Shannon
Los Angeles Times Service

WASHINGTON — In what could be the first foreign-policy fallout from the Iran arms-sale crisis, the Reagan administration, during a visit to Washington by the president of Costa Rica, did not press for aid to the Nicaraguan rebels.

The administration has applied pressure in the past to induce Costa Rica to bend its neutrality and provide bases for the rebels, or "contras," in their fight against the Sandinist government.

But the Costa Rican ambassador to the United States, Guido Fernandez, said the subject never came up in a two-hour White House session on Thursday with President Oscar Arias Sánchez nor in a meeting on Friday with Secretary of State George P. Shultz.

"We were expecting some mention of the issue," Mr. Fernandez said. "All we had was a very positive understanding of Costa Rica's position of neutrality."

A U.S. official, who briefed reporters after the Arias meeting with President Ronald Reagan, confirmed that the visitor had not been asked to provide assistance to the contras.

"President Arias has made it clear that he will not permit any kind of military operations in or through or via or over Costa Rica," said the official, who asked not to be identified. "That's his decision, and we accept it."

Central American diplomats who have criticized Washington for seeking a military solution in Nicaragua instead of backing peace proposals, such as those launched by the Contadora group, proclaimed the vindication of their prophecy.

"Now, I think Mr. Reagan may be willing to join us," said a representative of one of the four Contadora nations. The Contadora group comprises Colombia, Mexico, Panama and Venezuela.

At a news conference on Friday at the end of his three-day visit, Mr. Arias emphasized his government's resolutely neutral stance, although he opposes the Sandinist government in Managua.

■ Use of Airstrip Refused

Julia Preston and Joe Pichirallo of The Washington Post reported from Washington:

The U.S. ambassador to Costa Rica asked the government there at

See COSTA RICA, Page 5

Iran Offers to Intercede for Hostages

By John Kifner
New York Times Service

CAIRO — A key Iranian leader involved in the secret arms negotiations with the United States has said that Iran was still willing to intercede for the release of American hostages in return for weapons.

"We have nothing against talking to them through the same arms dealers with whom we talked, through the same weapons purchase channels," the speaker of Parliament, Hojatoleslam Hashemi Rafsanjani, told the official press agency Saturday.

Mr. Rafsanjani's remarks appeared to indicate that the Iranian pragmatists who dealt with the Americans over the arms deal had not been politically damaged by their contact with what Ayatollah Ruhollah Khomeini, the Iranian leader, customarily refers to as "the Great Satan."

If so, the situation would be in marked contrast to that of the early days of the revolution in 1979, when Islamic fundamentalists seized the U.S. Embassy, causing the fall of Prime Minister Mehdi Bazargan, who was seen as too friendly to the West.

The embassy seizure and the holding of 52 hostages for 444 days became a weapon with which the Shiite Moslem religious leaders defeated the more Westernized factions in the internal political struggle that followed the revolution.

Mr. Rafsanjani openly offered Saturday to intervene again, presumably with Shiite Moslem fundamentalist groups in Lebanon, for the release of American hostages in return for supplies of weapons purchased before the ouster of Shah Mohammed Reza Pahlavi.

"We are ready to intercede to the extent that the Americans give us back our assets," he said. "There are no problems for us at this level and the Americans can make contact if they want to."

But the speaker added that the contacts should only be at a low level, with arms dealers. High-level negotiations with the United States, he said, were "incompatible with slogans and aspirations that we have insisted upon."

Three U.S. hostages kidnapped in Lebanon have been released during the 18-month period in which the United States has admitted conducting a secret initiative, including covert shipments of arms through Israel.

Lionel Cironneau/The Associated Press

Chirac Appeals For Calm After Student Dies In Paris Protests

Student Death Revives Anger

Clockwise from top, Prime Minister Jacques Chirac of France appealing for calm Sunday at a meeting of his Gaullist party in Paris; police officers with batons and tear gas battling early Sunday to clear the Latin Quarter after a night of rioting; a medic working early Saturday on the sidewalk to save Malik Oussekine, the wounded student, before he was taken to a nearby hospital and died; and flowers, messages of sympathy and political slogans accumulating at the doorway where the 22-year-old student was fatally attacked by police.

Reuters

Lionel Cironneau/The Associated Press

The Associated Press

By Julian Nundy
International Herald Tribune

PARIS — Prime Minister Jacques Chirac appealed for calm Sunday after three nights of rioting in Paris in which more than 200 people were injured and a student died after being beaten by police.

Mr. Chirac, addressing a meeting of his Gaullist Rally for the Republic, blamed leftists for the violence that followed a generally peaceful two-week campaign by students opposed to a draft university reform law.

The death Saturday of Malik Oussekine, 22, a French student of Algerian origin, prompted the junior minister for higher education, Alain Devaquet, to offer his resignation.

The violence was the worst involving students in Paris since the May 1968 riots that shook the government of President Charles de Gaulle and led indirectly to his departure from politics the following year.

Mr. Chirac, speaking at a meeting originally called to celebrate the 10th anniversary of his decision to rename the Gaullist party and revamp its image, attacked "helmeted minorities" for the violence and made "an appeal for calm, an appeal to reason and the responsibility of all."

The violence started Thursday when demonstrators opposed to Mr. Devaquet's proposed changes were pushed back by riot police using water cannon, stun grenades and tear gas. Clashes between police and protesters continued into the night.

On Friday, the government moved to defuse the situation by withdrawing the three main points in the draft law that had upset the students: an increase in tuition fees, introduction of a system of selection and the scrapping of state diplomas, which do not indicate

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U.K. Defense Team Is Said to Opt for U.S. AWACS

By Warren Getler
International Herald Tribune

LONDON — The procurement committee of Britain's Ministry of Defense has recommended the purchase of Boeing Co. AWACS radar-surveillance aircraft rather than the British Nimrod, a source close to the bidding said Sunday.

The technical recommendation, which according to the source, was "massively in favor" of the Boeing system, must be endorsed by the cabinet later this month if Britain is to buy the Airborne Warning and Control Systems Boeing after having spent almost £1 billion ($1.42 billion) on the Nimrod, a joint venture between General Electric Co. PLC of Britain and British Aerospace PLC.

A decision to buy the U.S. version would be a serious setback for British aerospace and defense technology.

George Younger, Britain's secretary of state for defense, examined the Equipment Policy Committee's recommendation over the weekend and was expected to pass that recommendation on to the cabinet's Defense and Overseas Policy Committee for full review this week.

Political and industry observers said that a final decision was likely before Christmas.

Friday's recommendation by the Defense Ministry's Equipment Policy Committee is significant because Prime Minister Margaret Thatcher has said the decisive factor on procuring airborne-surveillance aircraft will be "whether the services which that aircraft and early warning system provide are acceptable," to the technical requirements of the Royal Air Force.

The Sunday Times of London quoted a Defense Ministry official as saying, "The committee have made their judgment on the financial and technical matters but ministers may take a different view as the political considerations are obviously very important."

Opposition Labor Party members of Parliament have warned that buying Boeing would mean "a dreadful blow to British manufacturing, a further blow to British unemployment and a kick in the teeth for British technology."

Sources closes to Boeing said a month ago that the company was offering eight E3 Airborne Early

See AWACS, Page 2

Meese Won't Seek Outside Inquiry on Bern Envoy

By Howard Kurtz
Washington Post Service

WASHINGTON — Attorney General Edwin Meese 3d has decided not to seek an independent counsel to investigate allegations involving the U.S. ambassador to Switzerland, Faith Ryan Whittlesey, the Justice Department has disclosed.

In a report filed Friday with a special three-judge panel, Mr. Meese said there were no "reasonable grounds" to believe that further investigation would produce "a viable criminal case" in connection with an $80,000 embassy entertainment fund that Mrs. Whittlesey raised from private donors.

Sources said that the principal investigator in the case, in the Justice Department's Public Integrity Section, recommended that an independent counsel be named, but that more senior department officials and Mr. Meese disagreed.

The investigator argued that an outside prosecutor should examine whether Mrs. Whittlesey had improperly assisted major donors.

Mr. Meese's report said: "There is no direct evidence that a donation was made to Ambassador Whittlesey's gift fund in return for the performance of an official act."

Mr. Meese was Mrs. Whittlesey's guest last year at a $385 embassy dinner party in Bern that the report said was improperly charged to both the gift fund and her $45,000 annual entertainment fund.

Despite "other possibly improper expenditures," the report said, there was no evidence that Mrs. Whittlesey was informed about State Department rules requiring that such funds be spent primarily on citizens of the host country.

Investigators examined the hiring by Mrs. Whittlesey of Robert Reilly for an embassy post paying $62,400 a year during the same period that his father, the Illinois businessman Frank E. Reilly, contributed $5,000 to the fund.

Mr. Meese's report said there was "an innocent explanation."

Robert Reilly was offered the job before his father knew of the gift fund, the report said, and "these facts militate against a theory that a payment was required to persuade the ambassador to hire him."

Reuters

Kang Ning-hsiang, a moderate in the opposition camp, was elected to a legislative seat for the Taipei municipal district.

Taiwan Opposition Gains in Election

23 of 44 Candidates for New Party Win Legislative Seats

By Patrick L. Smith
International Herald Tribune

TAIPEI — A newly organized opposition party scored substantial gains in legislative elections, advancing Taiwan's cautious efforts to develop a more democratic political process.

In contests Saturday for a limited number of seats in two central government bodies, 23 of the 44 candidates fielded by the Democratic Progressive Party were elected. The party, which was formed in defiance of martial law less than three months ago, won nearly a quarter of the overall vote.

The ruling Kuomintang, or Nationalist Party, maintained significant margins in both the Legislative Yuan, which is the lawmaking body, and the National Assembly, which oversees constitutional amendments and elects Taiwan's president and vice president.

Voter turnout, at about 65 percent, was above average for the island-wide elections.

The Kuomintang won just over two-thirds of the overall vote, compared with 73 percent in elections three years ago. The remaining ballots went to independent candidates.

The results lent increased legitimacy to both the opposition party and to a series of political changes initiated by President Chiang Ching-kuo earlier this year, according to local political analysts and foreign observers.

By leaving intact the Kuomintang's firm grip on power, the elections are also expected to blunt criticism of Mr. Chiang from conservative elements within the party and the military. Internal disputes have been serious enough in recent weeks to threaten the success of the president's reform efforts, political sources said.

"The political trend is clear and the president's policy is clear," said Hu Li-tai, editor-in-chief of China Times, a mass-circulation daily. "It would be very unwise for the party to react negatively to these elections."

In response to increased demands for a more representative political system, Mr. Chiang has pledged to repeal martial law and permit the formation of competing political parties. He has not, however, extended formal recognition to the Democratic Progressives.

Despite its status, the new party won 12 seats in the Legislative Yuan and 11 in the National Assembly. In both bodies, this is more than double the number previously occupied by members of the groups from which the party was formed.

At stake were 73 of the 324 Legislative Yuan seats, and 84 of the 905 seats in National Assembly. The remaining seats are filled for life by members who nominally represent mainland provinces.

In contests reserved for members of various professional groups, such as unions and business associations, the opposition won three seats for the first time. Two victories by opposition labor leaders were seen by local analysts as significant indications of changing attitudes among Taiwan's five million wage earners.

As in many previous elections, the opposition accused the Kuomintang of frequent election irregularities. In turn, the government held the Democratic Progressives responsible for a violent confrontation last week, when Hsu Hsin-liang, a leading Taiwan dissident, was prevented from returning with several other activists from exile in the United States.

The incident was expected to

See TAIWAN, Page 2

Israeli Troops Wound Palestinian Youth in Clashes on West Bank

Reuters

JERUSALEM — Israeli troops shot and wounded a 17-year-old Palestinian in the occupied Gaza Strip on Sunday during unrest resulting from the killing by Israelis last week of three Arabs, Palestinian sources said.

The Israeli authorities said Palestinians had hurled stones at Israeli vehicles, set tires on fire and blocked traffic in a dozen towns and refugee camps of the Gaza Strip and West Bank in the most serious violence to hit the areas this year.

An Israeli cabinet statement said troops and border police acted properly last week when two students at Bir Zeit University and a 14-year-old boy from a refugee camp were killed during demonstrations in the occupied West Bank.

The cabinet said the authorities would continue to act to prevent disturbances and avoid casualties.

The youth wounded Sunday, identified as Mohammed Kamil Shebair, was taken to hospital with a knee injury after troops dispersed demonstrators at the town of Khan Yunis in the Gaza Strip, Palestinian sources said.

Israeli Army officials confirmed there was shooting in the town but said they were still checking the circumstances of how the youth was wounded.

Israeli troops fired live ammunition and tear gas in an attempt to quell dozens of scattered protests Sunday after six Israelis were injured and at least 65 Palestinians arrested Saturday.

In Jerusalem, Arab storekeepers shut their stores and pupils stayed home in protest against last week's killings.

At the Hebrew University in Jerusalem, police fired tear gas to break up a clash between 100 leftist Arab students protesting at the deaths and 50 rightist Jewish students holding a counterdemonstration.

There were smaller incidents at Haifa and Tel Aviv universities.

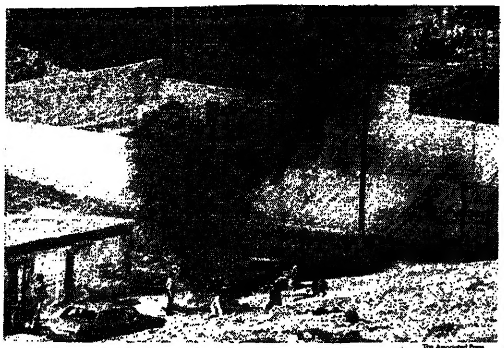
Brigadier General Ephraim Sneh, who is in charge of the West Bank, blamed the unrest on dismay among Palestinians over lack of support from other Arabs in the Palestinian battle against fighters of the Shiite Moslem Amal militia in southern Lebanon.

He said they were also angry over recent Jewish anti-Arab violence that followed the stabbing of a Jewish seminary student last month.

Palestinian newspapers in East Jerusalem blamed the anti-Israel protests on the death of the two Bir Zeit students and what they called harsh military measures.

"Israeli leaders must understand that the time of the cowboy has gone forever and the Israeli soldiers must be more careful in using their guns next time," said the newspaper An-Nahar, which is generally viewed as pro-Jordanian.

Another paper, Al-Fajr, which reflects opinions of the mainline Palestine Liberation Organization, said the deaths of the students "show a fearsome violation of international laws and conventions."



The Associated Press

Palestinians set a tire alight in the Gelasoon refugee camp on the occupied West Bank on Sunday in protests after the deaths of three Arabs in clashes with Israeli forces last week.

PLO Seeks Arab Aid on Lebanon War

Reuters

TUNIS — The Palestine Liberation Organization will seek Arab guarantees to end the "camps war" in Lebanon at an emergency meeting of Arab League foreign ministers Monday, a senior PLO official said Sunday.

The establishment of a permanent committee to safeguard Palestinian refugee camps in Lebanon is among the proposals that the PLO will present at the meeting, a PLO spokesman said.

The meeting of the 21-member Arab League was called at foreign minister level, but it was not clear how many ministers would attend.

Arab diplomatic sources said Jordan and Iraq were sending their foreign ministers, Taher al-Masri and Tariq Aziz, but other key league members were sending lower-level representatives.

Syria and Lebanon have opposed the meeting.

Lebanon boycotted a similar Arab League session in June 1985 during fighting around the refugee camps in Beirut and southern Lebanon. Syria walked out after a speech by the PLO chairman, Yasser Arafat.

The PLO has accused Syria of supporting the Shiite Moslem Amal militia in a plan to chase Palestinians from Lebanon and has rejected an Iranian-proposed cease-fire announced in Damascus last week.

Amal accuses Mr. Arafat of seeking to rebuild the PLO power base in Lebanon that was smashed by the 1982 Israeli invasion.

The announcement of the Iranian-mediated cease-fire Friday slowed the fighting in which more than 500 people are said to have been killed. But battles erupted at Beirut refugee camps Saturday, and sporadic firing continued Sunday both in Beirut and in the south.

■ Irish UN Soldier Dies

A UN spokesman said an Irish soldier serving with the United Nations Interim Force in South Lebanon was shot dead by Israeli-backed militiamen Sunday, Reuters reported from Tel Aviv.

Timur Goksel, the spokesman, said the soldier was hit by one of three bullets fired by members of the Israeli-armed South Lebanon Army at an Irish checkpoint.

EC Leaders Fear Iranian Arms Sales Weaken U.S.

By Peter Maass
International Herald Tribune

LONDON — European Community leaders have expressed concern over the effect that U.S. arms sales to Iran have had on Ronald Reagan's presidency and have called for solidarity in Western Europe at a time of instability in the United States.

The declaration Saturday, at the end of a two-day meeting of the EC leaders, was their first joint assessment of East-West affairs since the Reykjavik summit meeting between Mr. Reagan and Mikhail S. Gorbachev, the Soviet leader.

Although the Iran arms sales were not explicitly mentioned by the EC leaders, they weighed heavily on the meeting.

"Anything that weakens America weakens Europe," said Prime Minister Margaret Thatcher of Britain, whose six-month term as president of the European Council ends Jan. 1. "It is my great hope that things will soon return to normal in the U.S."

Prime Minister Bettino Craxi of Italy said that the Reagan administration was in a state of crisis and lacked the "serenity" to carry out foreign policy.

The EC leaders appeared convinced that Mr. Reagan's troubles would affect the Western alliance, but they were not united over a European response. Mrs. Thatcher's comments at the meeting's close were seen as calling for the EC to rally around Mr. Reagan.

"This is a time when we need to demonstrate our stability and solidarity," she said. "It is important that Europe be seen as a very stable center of democracy."

But other EC leaders, including Prime Minister Jacques Chirac of France, stressed the need for more independence from Washington, sources said.

Apart from the foreign policy talks, the EC leaders appeared to skirt difficult issues, such as farm policy reform and deficit reduction. Community diplomats said that Mrs. Thatcher wanted to end Britain's presidency of the council without the acrimony that usually accompanied these meetings.

The EC Commission president, Jacques Delors of France, gave a review before the Friday dinner of the community's financial crisis. But after Mr. Delors's speech, Mrs. Thatcher said. "Okay, we're broke. Let's have dinner," according to a senior official.

Mrs. Thatcher announced new EC programs to combat acquired immune deficiency syndrome, or AIDS, and cancer. However, no money was allocated for the AIDS program, and the EC is offering about $500 million in new incentives for tobacco farmers.

The final communiqué dealt mainly with economic recovery. It mirrored Mrs. Thatcher's policy of boosting growth, now at an annual rate of about 2.5 percent in the EC, by emphasizing deregulation and the role of small businesses.

Mild opposition to these objectives reportedly was voiced by many of the other EC leaders, who want to focus on more direct government activity in such areas as creating jobs for youths.

A tiff in the French delegation provided one moment of drama. Foreign Minister Jean-Bernard Raimond left unexpectedly Friday after learning that he would not be sitting at the conference table.

President François Mitterrand and Prime Minister Chirac were occupying the two chairs allotted to France, while other countries were represented by their heads of government and foreign ministers.

WORLD BRIEFS

Iran Bombs Iraq in Response to Raids

NICOSIA (AP) — The Iranian government said Sunday that it fired three missiles at Iraq's second largest city, Basra, and that its warplanes hit five other targets to avenge the killing of 114 Iranian civilians in Iraqi air raids.

There was no confirmation from Baghdad of the claims reported by Iran's official Islamic Republic News Agency, monitored in Nicosia.

The Iraqi Air Force struck a string of targets deep in Iran on Saturday. Among the targets hit by Iraqi fighter-bombers were a large power plant at Neka near the Soviet-Iranian border and several districts in Ahwaz, in the southern oil province of Khuzistan.

ANC Praises Aspects of Shultz Speech

NAIROBI (Reuters) — The African National Congress said Sunday that a statement by Secretary of State George P. Shultz that time was running out for peaceful change in South Africa was "an important step in the right direction." Mr. Shultz made the comment in a major policy speech in Washington on Thursday.

However, the ANC, the main black nationalist guerrilla group fighting the white-minority regime in South Africa, rejected Mr. Shultz's premise that the Pretoria government was a potential agent for change. An ANC statement said "the apartheid system cannot be reformed," but "must be totally eradicated."

South Africa's foreign minister, R.F. Botha, on Friday criticized Mr. Shultz's speech, saying he was "quick and categoric" in denouncing South Africa but "quite apologetic" in his references to nationalist groups seeking to overthrow the government.

At Least 560 Die in Floods in Iran

ATHENS (UPI) — At least 560 people have died in flash floods caused by heavy rain and snow in southern Iran in the past week, Tehran newspapers reported Sunday.

The newspaper Kayhan said that rain last week in some areas of Iran's Zagros mountains was followed by heavy snow, which was still falling Sunday afternoon. Thousands of families were made homeless by the floods, the reports said.

Tehran radio said the government had mobilized 30 helicopters for relief and rescue operations, along with aircraft and boats.

Report Links Prince, Hong Kong Post

AP

Prince Charles

LONDON (AP) — Prince Charles is one of a number of candidates under consideration to replace the governor of Hong Kong, Sir Edward Youde, who died last week, The Sunday Telegraph reported.

In a report from Hong Kong, the London weekly said there was a "ground swell of popular opinion in Hong Kong" calling for the prince, heir to the British throne, to become governor in the "dangerous years leading to the takeover" in 1997 by China.

The report said that like his uncle, the late Earl Mountbatten of Burma, who presided over the transition of India from British rule to independence in 1947, "Prince Charles has both the authority and public stature to steer the colony toward the end of British rule."

U.S. Bishop Bocks AIDS Seminars

LOS ANGELES (AP) — The Roman Catholic Archdiocese of Los Angeles has announced that it would not allow an AIDS education group to hold seminars in its churches because the organization condoned the use of condoms.

"In the issue of AIDS, such use implies either heterosexual promiscuity or homosexual activity," Archbishop Roger Mahony said Saturday in a statement. "The church approves of neither."

Paula Ness, the executive director of the group, said Saturday night: "Condoms are not the focus of our work. We don't sell condoms. We don't actually even promote them." However, she said the group gave descriptions on the use of condoms as a method to prevent transmission of acquired immune deficiency syndrome.

Court Allows Trial on U.S. Wiretap

WASHINGTON (WP) — A federal appeals court panel here has opened the way for a full trial on a suit filed by Morton H. Halperin, a former National Security Council aide, for damages stemming from a government wiretap of his home telephone from 1969 until 1971.

Mr. Halperin's phone was tapped at the request of Henry A. Kissinger, then the national security adviser, who suspected Mr. Halperin to be the source of a leak to a New York Times reporter about secret U.S. bombing raids on Cambodia. The wiretap began in May 1969 and continued until February 1971, months after Mr. Halperin left the National Security Council and despite FBI reports that it was yielding nothing of substance.

The court ruled Friday that Mr. Kissinger and other government officials were not automatically entitled to immunity from damages claims stemming from the decision to continue the wiretap after Mr. Halperin left the NSC. Mr. Halperin and his family filed suit in 1973, but his claims had been blocked by various court decisions.

For the Record

Armand Hammer, the American industrialist, had talks Saturday in Moscow with the Soviet prime minister, Nikolai I. Ryzhkov, and Foreign Minister Eduard A. Shevardnadze on superpower relations and trade, the official Tass press agency reported Sunday. (AP)

A tidal wave struck the Neva River delta on Saturday, causing the worst flooding in Leningrad in 16 years, Tass reported Sunday. The press agency said there were no casualties. (AP)

FRANCE: *Chirac Appeals for Calm as Violence Grows*

(Continued from page 1)

the university where they were earned.

But the death of Mr. Oussekine after police moved to evacuate the Sorbonne of striking students shortly after midnight Friday revived passions. A peaceful march by about 30,000 demonstrators Saturday was followed by a night of rioting in the Latin Quarter that lasted until about 6 A.M. Sunday.

Nineteen cars were burned, some of them dragged across the district's narrow streets to form barricades, and stores were looted. Police said that 28 demonstrators, many of them masked and wearing motorcycle crash helmets, were arrested and that 70 persons, 58 of them riot police, had been injured.

After the Sorbonne was evacuated early Saturday, riot police on motorcycles toured nearby streets to disperse demonstrators, lashing out at them with batons, television film of the incidents showed.

It was during this operation that Mr. Oussekine was beaten, witnesses said. One witness, a civil servant employed by the Finance Ministry, told television reporters that he had tried to help the student enter his apartment building.

"The policemen came into the entrance of the building and beat us with nightsticks," said the witness, Paul Bayzelon. "The young man next to me was crying, 'Leave me alone, leave me alone!' He fell, and the police kept kicking him in the head."

Another witness, Philippe Dumas, a professor from Montpellier, said that motorcycle policemen had been "using their nightsticks against anyone who was young, on the street, on the sidewalks, to the right and to the left."

After Mr. Oussekine collapsed, he was taken to the Cochin Hospital. Doctors said he died of cardiac arrest. They said the young man had been suffering from kidney disease.

On Sunday, the student movement, which was originally apolitical, took another turn as student leaders decided to meet with France's leftist trade unions to organize a general strike for Wednesday.

They also scheduled another march through Paris for Monday to protest the death of Mr. Oussekine and call for the entire draft university law to be withdrawn.

Leaders of the student protest condemned Saturday night's rioting and said it had nothing to do with their movement. Government officials, from Mr. Chirac down, echoed this sentiment, blaming the clashes on leftists seeking to exploit the tense atmosphere.

Mr. Chirac's main aim since winning parliamentary elections in March has been to run a quiet, efficient administration and make himself the front-runner to take the presidency from François Mitterrand, a Socialist and Mr. Chirac's main rival, in presidential elections that must be held by May 1988.

Mr. Chirac and Mr. Mitterrand met for 35 minutes late Saturday. A spokesman for the president said only that Mr. Mitterrand had said that the violence should not shake "national cohesion."

Addressing his Gaullist supporters, Mr. Chirac spoke of the "unjust and painful" death of Mr. Oussekine and of the many casualties among the police and students.

"This situation shocks us and concerns us deeply," he said.

Mr. Chirac blamed the rioting on "young and not-so-young people, helmeted and armed, often from outside the student world."

■ Frankfurt, Milan Protests

More than 300 people, shouting slogans in support of French students, went on a rampage in central Frankfurt on Sunday, smashing bank windows and plundering stores, The Associated Press reported. In Milan, students protesting in sympathy with the Paris demonstrators marched outside La Scala opera house.

TAIWAN: *Opposition Gains Seats*

(Continued from page 1)

damage the new party's image substantially among voters. In addition, the strength of Taiwan's economy, which is expanding at an annual rate of more than 10 percent, was viewed as a factor in the governing party's favor.

Voting returns indicated a preference among opposition supporters for candidates willing to adopt flexible positions on the key issue of self-determination, according to political analysts.

In particular, they focused on the victory of Kang Ning-hsiang, who was elected to a legislative seat for the Taipei municipal district.

Mr. Kang, a leading moderate in the opposition camp, placed second in a field of 16 candidates. Analysts expect this to strengthen the moderate faction within the party, which is the first organized political channel open to Taiwan's island-born majority since the Kuomintang fled here from the mainland in 1949.

Control of the opposition party's direction by centrists such as Mr. Kang would be likely to defuse the question of Taiwan's independence, at least for the time being, according to local commentators. But this would depend partly on the party's ability to maintain unity between its various tendencies.

"The new party has built up very good ground for further development," said Hu Fu, a Kuomintang member who has acted as an arbitrator between his own party and the opposition. "The result is also good for multiparty politics. What that means will be clearer than before."

AWACS: *U.K. Defense Team Is Said to Prefer Boeing*

(Continued from page 1)

Warning and Control Systems, all of which would be ready for delivery in three years.

According to industry sources, Britain would pay up to £1 billion depending on various options, one involving a plan under which France would order three of the planes at the same time to reduce costs.

GEC, which has no connection to the U.S. company of the same name, is offering 11 Nimrods, all of which have been built but collectively require £400-500 million worth of modifications to meet RAF specifications. More than £900 million of government funds have been spent on the AEW Nimrod since development began.

In an effort to make its offer more palatable in Britain at a time of high unemployment and approaching elections, Boeing recently agreed to purchase £130 million of high-technology products from British companies for every £100 million spent on AWACS.

For Boeing, obtaining the RAF contract would all but ensure a monopoly on early warning aircraft. Currently, 34 Boeing E3 AWACS are in service with the U.S. Air Force, 18 with North Atlantic Treaty Organization forces, and two, with an additional three under construction, with the Saudi Air Force.

DOONESBURY

كلامت بالأصل

After Years in Japan, U.S. Envoy Speaks His Mind but Won't Pound Tables

By Clyde Haberman
New York Times Service

TOKYO — Mike Mansfield glanced out the office window from which he has surveyed central Tokyo for nearly a decade, and allowed that the skyscrapers had grown bigger over the years.

While he was discussing changes, Mr. Mansfield might have thrown in the more significant fact that his job as U.S. ambassador to Japan had grown bigger, too. But that exercise in self-promotion would have been out of character, just like the idea of a making a fuss over the milestone he has reached.

On Friday, his 3,466th day in Tokyo, he became the longest serving U.S. ambassador among the 20 men who have carried that title in Japan since a full-fledged U.S. Embassy was established at the end of the Russo-Japanese War in 1905.

Mr. Mansfield has surpassed the record of Joseph C. Grew, who arrived in 1932 and had his stay cut short on Dec. 8, 1941, after Japanese planes attacked Pearl Harbor.

To Mr. Mansfield, Friday was "just another day." He did not celebrate.

Still, he acknowledged the occasion with a brief nod, discussing it over cups of instant coffee he had prepared himself, a ritual he has long observed with guests. On the coffee table lay a yellowing copy of The Hungry Horse News, a paper from Columbia Falls, Montana, that is a reminder of home.

Mr. Mansfield represented Montana in Congress for 34 years, the last 16 as Senate majority leader. In early 1977 he retired, only to have President Jimmy Carter, a fellow Democrat, ask him to go back to work, this time in Japan.

Thus, he set off to a country that he had first seen as a 19-year-old marine soon after World War I. His ship had stopped in Nagasaki one day in 1922 to take on coal, which Japanese women carried to the docks in baskets atop their heads.

It was to his surprise, Mr. Mansfield said, that he was re-appointed ambassador in 1981 when a Republican president, Ronald Reagan, took office.

Mr. Mansfield is older, of course, and sometimes he shows a few of his 83 years. But he still stands lean and tall and speaks firmly in a dry-as-dust style, all "yups" and "nopes" with little public self-analysis.

In Tokyo, a city accustomed to impermanence, he has become an institution. Staff members at the embassy talk about him as though he were their grandfather: distant, somewhat stubborn, but basically a man to emulate.

The Japanese say they like him because Washington seems to listen to him and because he speaks his mind about their trade policies without rancor.

"If Lee Iacocca says it, Japanese become defensive," said Akio Morita, the Sony Corp. chairman, referring to the head of Chrysler Corp. "But if Mike says it, in his way, he gets listened to."

The suggestion was that many Americans are table pounders. In Japan, table pounders do not fare conspicuously well. But some people, including Mr. Mansfield, would say that even soft-spoken envoys have done little of late to reduce the huge trade imbalance between the countries.

On the ambassador's shelves are photographs of congressional leaders. They serve not to remind him of Capitol Hill, he says, but to bring home to Japanese visitors the importance of the U.S. Congress.

Not that many Japanese officials need the reminder. They are painfully aware that anti-Japanese trade legislation is likely to be approved before long because Democrats having gained control of both houses of Congress.

Protectionism would be a mistake, Mr. Mansfield said, but he has advised the Japanese to take the results of the November elections "in stride."

"I've assured them," he said, "that with majority rule goes responsibility." The Democrats "cannot be as free-wheeling in their statements and actions as they were while they were out."

Addressing Japanese audiences, he tends to emphasize how Japan must improve access to its domestic market. With American audiences, he concentrates more on U.S. failings that have contributed to trade deficits.

More than once, this practice has led to charges from American businessmen and trade negotiators that Mr. Mansfield is "too soft" on Japan. It is, he acknowledged, an understandable complaint, but he shrugged it off. "I try to put myself in the shoes of the Japanese," he said. "But I've never forgotten that the shoes I wear are American, that my country's interests come first."

That includes an occasional need to hold up an unflattering mirror to American businessmen and government officials, he said.

The United States, he has warned in speeches, must finally come to grips with its budget deficits. Its companies must improve productivity and emphasize quality, and perhaps dwell less on the next quarter's profits.

No Mansfield speech is complete without a warning that Washington must be careful not to damage its fundamentally close ties with Tokyo. It is, he said in a line that he utters just about every day, "the most important bilateral relationship in the world, bar none."

Certainly for Japan no country looms larger than the United States, and that fact makes Mr. Mansfield the most important foreigner in Tokyo.

Reuters
Mike Mansfield

Vatican Officials Say Relations With Soviet Are in Sensitive Phase

By Roberto Suro
New York Times Service

ROME — The Vatican is increasingly concerned that the Soviet Union has undertaken a propaganda effort to create the impression of improved relations with the Roman Catholic Church while continuing to take a hard line on several important issues, according to senior church officials.

Several recent developments have convinced senior aides to Pope John Paul II that the church's dealings with Moscow could be entering a particularly sensitive phase, senior Vatican officials said.

The pope is eager to explore any openings at the diplomatic or cultural levels, the officials said. However, they added that movement is blocked because Moscow and its closest allies have refused to grant greater religious freedoms.

"The Soviets sometimes can be very adept at public relations," a senior Vatican official said. "We worry about indications that they are taking this kind of approach to the church, the pope and his very sincere concerns about world peace. After all, they do it with the Americans enough."

A meeting between the pope and Mikhail S. Gorbachev is expected to occur when the Soviet leader visits Italy early next year. The encounter should resolve whatever doubts there are in the Vatican about Soviet intentions.

Plans for the millennium celebration in 1988 of the arrival of Christianity in Russia could produce clear signals. Moscow is insistently floating what the Vatican views as trial balloons suggesting the pope might be invited.

John Paul has laid down his conditions for what would be a history-making trip. Speaking to reporters traveling with him through Asia and the Pacific last month the pope offered a string of seemingly enigmatic remarks when asked about the Soviet Union's inviting gestures. Vatican officials have now expanded on what they say was a message to the Kremlin.

When John Paul said he would "exclude" what he termed "a political trip" to Moscow, Vatican officials say he was rejecting the idea of taking part in an event stage-managed by Soviet authorities. Instead, he emphasized his "duty" to visit Catholics in the Soviet Union, particularly in Lithuania.

If the Russians want the pope at the millennium celebrations in 1988 they will first have to allow the pope to conduct a pastoral visit to the Roman Catholic communities in the Baltic states and let him travel there on his own terms, Vatican officials say.

Moreover, Rome would hope for discussions, at the very least, on greater religious freedom in Lithuania and the Ukraine, where the church's activities have been restricted because of its associations with nationalism.

As an example of the kind of behavior that is causing puzzlement and some anxiety in the Vatican, a senior official noted the Soviet response to the pope's "World Day of Prayer for Peace." The Russian Orthodox Church was represented at the prayer ceremonies held in Assisi on Oct. 27 with a delegation led by the Metropolitan Filaret of Kiev.

The pope responded to the gesture by putting him first on the list of visiting churchmen to be granted a private audience the day after the Assisi prayer meeting. However, "nothing of practical value emerged" during the audience, said an aide to the pope.

The most pronounced signals came at a meeting of Catholic and Marxist cultural officials in Budapest in October. In an interview Cardinal Paul Poupard, president of the Vatican Secretariat for Non-Believers, said, "For several reasons this was unlike any previous Christian-Marxist encounter particularly because of the presence of Soviet officials who participated with remarkable openness."

Poland Sets Up Council To Broaden Support

By Jackson Diehl
Washington Post Service

WARSAW — General Wojciech Jaruzelski has named a special "consultative council," including prominent lay activists of the Roman Catholic Church and former advisers of the banned Solidarity trade union, in an effort to broaden support for his government.

The council, which the Polish leader on Saturday called "a bold experiment without precedent," will allow its members to speak out on political and economic issues and publish speeches in a special uncensored bulletin. General Jaruzelski will be chairman of the body and take responsibility for carrying out any resolutions it adopts, members said.

The initiative received the qualified support of the Polish church's primate, Cardinal Jozef Glemp. It was praised by some opposition leaders as a potential platform for dialogue. Many opposition spokesmen said, however, that General Jaruzelski had not provided the body with sufficient powers or guarantees of independence.

The formation of the council has been a key part of General Jaruzelski's political strategy since a Communist Party congress in June.

Hoping to break a long-standing stalemate with both the church and Solidarity that has left the government with scant public support and difficult relations with the West, General Jaruzelski proposed the council as a legitimate channel for independent and opposition activity following the release of almost all political prisoners.

The 56 persons who accepted government invitations to Saturday's founding meeting included eight independent Catholic activists, among them the chairman of Warsaw's Club of Catholic Intellectuals; two prominent former advisers to Solidarity; and two former Solidarity leaders who abandoned the movement. Officials said 80 percent of the group's members were independent of the Communist Party.

Some Catholics and independents refused to attend Saturday's meeting on the ground that the council would not be a legitimate forum. Several activists who attended strongly urged General Jaruzelski to expand the body to include more independents, including members of the still-active Solidarity organization.

General Jaruzelski refused to consider the Solidarity leader, Lech Walesa, or other top opposition activists for membership in the council.

Leftist Salvador Rebels Attack Military Base

Reuters

SAN SALVADOR — Leftist rebels in El Salvador have killed between seven and 20 government soldiers in an attack on the eastern town of Santa Rosa de Lima, according to military sources and residents.

Using mortars and automatic weapons, the rebels pounded the military base in the town of 30,000 inhabitants for five hours on Saturday, residentssaid. An army communiqué said seven soldiers had died in the attack but military sources in the area put the figure at about 20.

AMERICAN TOPICS

Bill Hornell/Reuters-UPI

NEW CROSS-COUNTRY RECORD — Ben Garcia, who rode a lawn mower from Maine to Miami and then turned westward, arrives in Los Angeles. Mr. Garcia, who set out from Portland on April 10, said he was the first person to drive a power mower across the country.

Trolleys Roll Again In Congested Cities

Trolleys, also known as streetcars or trams, are making a comeback on the West Coast after a generation of oblivion. Their rediscovery stems from public impatience with traffic congestion in rapidly growing Sun Belt cities, The New York Times reports.

Sacramento, the capital of California, ripped up the rails of an extensive trolley system after World War II. But trolleys will roll again next year on the first leg of an 18.3-mile (30-kilometer) transit line. Similar lines are running or are under construction in Los Angeles, San Diego and San Jose, California, and in Portland, Oregon. Trolleys are being studied in Salt Lake City, Utah; Phoenix, Arizona; and San Antonio, Texas.

Compared to elevated or underground transit systems, trolleys are quick and inexpensive to build. Jack Gilstrap, executive vice president of the American Public Transit Association, says that they are especially appealing to politicians because they can be completed years ahead of subway lines: "Political decision-makers are usually not looking for a project that won't be finished during their term in office."

3 One-Room Schools Thrive in Rich County

Three one-room schools are thriving in wealthy Marin County north of San Francisco. Pupils use television and computers for class work in the schools, which are well-maintained relics of the 19th or early 20th century. "I can't even imagine teaching any other way," says Elaine Boling, whose school has 20 children aged 5 through 11.

Barbara Armington, who has 21 pupils, says, "Most teachers, in the larger schools, have a child for only a year. You're never really sure what impact you've made on their lives. But here, my students and I are part of each others' lives for as much as seven years. I get to know them, see them grow, see them mature, see them learn. It's enormously satisfying."

Short Takes

John Lowery, 19, was held in Del City, Oklahoma, on a second-degree murder charge after a party at which he passed around "moonshine" that turned out to be methanol, a toxic motor fuel. Eight guests were poisoned, two fatally. "We don't believe that there was any motive," said a detective, Mark Edwards, "other than maybe he was just trying to be a big cheese with his buddies."

Raccoons thrive in the suburbs, and the New York state department of conservation is financing a study to find out why. One obvious answer is the abundant food supply in garbage cans, but the study will delve deeper into how raccoons interact with people and other animals. The study is one of a growing number on how wild animals adapt to suburbanization. Canada geese, for example, are thriving near suburban pools and ponds to the point that they have become nuisances, and white-tailed deer are raiding apple orchards.

Notes About People

Defendants and their attorneys, including **William Kunstler**, a prominent lawyer for leftist causes, are remaining seated when the judge enters the courtroom during a trial in Somerville, New Jersey, of two avowed revolutionaries charged with murdering a state policeman. "The defendants see the court as an enemy," Mr. Kunstler said. "They won't show false respect. The attorneys remain seated to show unanimity with their clients." Instead, the defendants and counsel stand when the jury enters or leaves "to show their faith in the people." The prosecutors, to protect their stake in the outcome of the trial, have begun rising for the jury as well.

When **Robert C. Byrd** of West Virginia was the Senate minority leader, the sign on his office door did not say "Minority Leader," as tradition would have dictated, but "Democratic Leader." When the Democrats become the majority in January, the sign will say "Majority Leader," The New York Times reports. On the Republican side, Senator **Bob Dole** of Kansas, taking a cue from Senator Byrd, will take down his "Majority Leader" sign and replace it with "Republican Leader."

—ARTHUR HIGBEE

Sudan-U.S. Relations Return to Normal

By Patrick Tyler
Washington Post Service

KHARTOUM, Sudan — Seven months after evacuating hundreds of U.S. Embassy personnel, the State Department has allowed their return amid signs that the new Sudanese prime minister has distanced himself from Colonel Moammar Gadhafi and has removed Libyan troops from Sudan.

The return to normal relations with Sudan follows tense moments in the past year, including the shooting of a U.S. Embassy communications officer, the sealing-off of a busy thoroughfare in front of the embassy and a concern among U.S. and Egyptian officials that Sudan might form a military pact with Libya.

The continued absence of U.S. officials, particularly those managing desperately needed aid programs, was threatening to undermine one of the largest U.S. assistance efforts in Africa, aimed at famine relief, health, agriculture and development.

Interviews with Sudanese and U.S. officials indicate that only in recent weeks have U.S.-Sudanese relations returned to normal after a downward spiral earlier this year.

U.S. and Egyptian officials have followed events closely in Sudan since the coup in April 1985 that deposed President Gaafar Nimeiri brought a transitional military government to power for a year followed by the election of Prime Minister Sadek el-Mahdi.

Mr. Nimeiri's close cooperation with the U.S. Central Intelligence Agency and Egyptian military officials had provided the United States with clandestine bases at which to train anti-Gadhafi rebels and from which to broadcast anti-Gadhafi broadcasts to Libya, according to sources in Washington and here.

The secret bases have since been closed and the radio transmitter shut down, and Egyptian-Sudanese relations are still icy over Egypt's decision to provide sanctuary for Mr. Nimeiri.

Sources say that in March a 600-truck convoy of Libyan troops rolled into Darfur Province in western Sudan to position itself along Sudan's border with Chad, which Colonel Gadhafi has sought to control. Although Sudan would be a weak military partner, Libyan use of its territory could add to instability in Chad and threaten Egypt's southern flank.

Soon after the elections here, with Mr. Mahdi about to form a new government, U.S. planes bombed Libya in retaliation for alleged Libyan involvement in an explosion at a West German nightclub.

Less that 24 hours later, William Calkins, a U.S. communications officer in the embassy here, was shot in the head and seriously wounded as he was driving home late at night from his embassy post. Mr. Calkins remains partly paralyzed.

U.S. officials, who had been pressing the Sudanese security service to do something about suspected Libyan terrorists in Sudan, saw the shooting as evidence of a general breakdown of security. They ordered the evacuation of three-quarters of the 200-member embassy staff, along with dependents.

The ban on nonessential American personnel, which had been modified in recent months to allow the return of some embassy employees and spouses, was fully lifted late last month to allow the return of all dependents, according to State Department officials.

Sources suggest that a combination of U.S. and Saudi Arabian pressure during the summer persuaded Mr. Mahdi to sharply curtail his relationship with Libya. Sudan is one of Africa's poorest countries, and U.S. and Saudi aid have contributed more to Sudan's budget than any other donor's contribution.

After Mr. Mahdi's visit in late July to Tripoli, the Libyan forces withdrew from Darfur Province in western Sudan.

Also during the summer, Mr. Mahdi is said to have pointedly told Colonel Gadhafi that any attacks on Americans or other foreigners in Sudan "would reflect itself immediately in our relations with Libya," according to a senior Sudanese official.

Mr. Mahdi has relayed this assurance to U.S. officials here and in Washington, which he visited in October. U.S. authorities would have preferred a more forceful anti-Gadhafi declaration by Mr. Mahdi, according to sources, but the improved security environment in Khartoum has convinced them that the threat to Americans has diminished.

By the end of the summer, U.S. intelligence officials had noted the departure from Khartoum of a number of Libyans associated with terrorism.

"The top people in Sudanese security who were pro-Libyan were replaced in late summer," according to a Western official, and this opened the way for the return of the first wave of embassy management personnel in early September.

Mr. Mahdi's turnaround on Libya is being regarded as a welcome sign by Western embassies here, although his self-styled nonalignment policy, under which he courts both superpowers for economic support and conducts trade relations with Libya and Iran, still troubles U.S. and Egyptian officials.

Split in Khmer Rouge Tied to Pol Pot Illness

By Barbara Crossette
New York Times Service

BANGKOK — Thai military officials and some Cambodian exiles are saying that Pol Pot, the Khmer Rouge leader, is terminally ill in China but that a power struggle within his organization may be holding up statements about his condition.

According to the Thai reports, Mr. Pol Pot, 58, was evacuated to Beijing from the Thai-Cambodian border area in September.

The Khmer Rouge, the Communist movement that ruled Cambodia from April 1975 to January 1979, denies that he is gravely ill. No one has reported seeing the former Cambodian leader in China.

But Cambodian exiles close to the resistance coalition to which the Khmer Rouge now belong say that his organization is split between the followers of Son Sen, who is now the group's military leader, and Ta Mok, a former regional commander thought to have been responsible for many of the deaths that took place under the Khmer Rouge regime.

Resistance fighters say the dispute between the two groups has turned to armed combat on several recent occasions. They say the Chinese, who have backed the Khmer Rouge because of Mr. Pol Pot's willingness to battle the Vietnamese, will have to sort out the organization's leadership crisis before any announcements can be made about its future.

Reports of Mr. Pol Pot's deteriorating health come at a time of considerable diplomatic activity, raising questions about whether some movement may be about to take place in the long-stalled issue of how to end the Vietnamese occupation of Cambodia.

The future of the Khmer Rouge leader would be central to any settlement of the eight-year war between Hanoi's troops and Cambodian nationalist guerrillas.

The Chinese have been under pressure from non-Communist Southeast Asian nations to remove him from active involvement in Cambodian affairs.

Prince Norodom Sihanouk, who leads a three-part Cambodian resistance coalition that includes the Khmer Rouge, said earlier this year in Bangkok that increasing Chinese contacts with the West have made Beijing more aware of the repugnance with which Mr. Pol Pot is regarded abroad. More than two million Cambodians were killed during his four-year regime.

But officials say China has persisted in believing that only a sustained Khmer Rouge threat could force the Vietnamese to negotiate. In opposition, Pol Pot has continued to be a potent force inside Cambodia, despite the presence of about 140,000 Vietnamese troops. Hanoi's army has been unable to defeat the Khmer Rouge guerrillas.

Now, however, seemingly disparate events in Communist Indochina as well as in Moscow, Beijing and possibly even Washington may be coming together to change attitudes on the Cambodia issue, some Southeast Asian officials suggest.

Vietnam, which has occupied Cambodia since 1979 after overthrowing the Pol Pot regime, is preparing for an important Communist Party congress Dec. 15.

UPI/1979
Pol Pot

The country is in serious economic trouble, and there have been strong hints in recent speeches by its leaders that Moscow, which gives Hanoi nearly $1 billion a year in support for its economy and its war in Cambodia, is not happy with its ally's performance on either front.

At the same time, the Soviet Union, seeking to improve its relations not only with Southeast Asia and the Pacific, but also with China, has been told in almost every regional capital that Moscow will first have to stop backing the Vietnamese in Cambodia.

The United States has withheld diplomatic recognition and aid from Vietnam pending that country's accounting for Americans still missing in action and Hanoi's withdrawal from Cambodia.

"After this party congress," a Thai official said, "I think you'll see things move fast on the MIAs."

Mine Strife Kills 20 in South Africa

The Associated Press

JOHANNESBURG — Factional fighting over the weekend at the Vaals Reef Gold Mine left 20 black miners dead and 72 injured, the mine's management said Sunday.

The violence, which occurred Friday and Saturday nights, brought the death toll to 33 in the past two weeks at Vaal Reefs, about 100 miles (about 160 kilometers) southwest of Johannesburg. During the weekend of Nov. 22-23, 13 black men were killed and 20 were wounded in fighting over a union boycott of the mine tavern.

The boycott was initiated by the National Union of Mineworkers to protest worker grievances, including a dispute over a production bonus.

John Kingsley-Jones, spokesman for Anglo American Corp., which owns Vaal Reefs, said management was meeting with representatives of the factions in an effort to resolve their differences. He said the cause of the latest fighting was not clear but might be linked to the dispute over use of the tavern.

In other weekend violence, three black trade unionists were killed Friday by supporters of the Zulu Inkatha movement after being abducted from their homes at Mpophomeni in Natal Province, the police said.

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

In Defense of the Ozone

Chlorofluorocarbons, the Boy Scouts of industrial chemicals, have become as American as apple pie. Neither poisonous nor flammable, they are central elements in air conditioning, notably of cars. Inexpensive to produce, they are widely used to make foam products, from hot-drink cups and packaging materials to padded upholstery.

They have only one flaw: When returned to the air, as almost all eventually are, they rise into the stratosphere and thin the ozone layer that shields the Earth from ultraviolet radiation. The effects are not fully understood, but scientists think a weaker ozone layer could produce a vast increase in skin cancers; smaller crops and weaker plants; damage to aquatic life; and an addition to the "greenhouse effect" wherein release of man-made gases alters the Earth's climate.

In 1978 the U.S. Environmental Protection Agency banned the use of these chemicals as propellants in aerosol sprays. In 1980 the Carter administration proposed freezing production for other uses. Manufacturers protested, saying it made no sense to limit production at home while it was not limited abroad. Scientists began to waver in their assessment of the damaging effects. The Reagan administration, disinclined to regulate in any case, shelved the proposal.

Now, however, industry and the administration have partially reversed themselves. New scientific evidence is one reason. In 1985 an alarming hole in the ozone layer was discovered over Antarctica; such nonalarmist centers of inquiry as NASA, the space agency, have warned against the possible consequences of continuing emissions. The chemical companies — DuPont in particular — may be close to producing alternatives. The industry has succeeded in making its main point that any action should be international. Why then resist?

The EPA, after a lawsuit by an environmental group, has agreed to decide by next November whether it thinks further regulation is needed. Meanwhile, formal international discussions have begun. At a meeting this month, Washington is proposing a worldwide limit on emissions — the strongest proposal by any government so far.

There remain enormous problems. Environmental groups want faster action, while industry warns against large expenditures before the risks are defined. There are also practical difficulties in enforcing any international agreement and in weaning so many industries from dependence on these substances. But all the movement is in the right direction. Industry and environmental groups believe that the talks could produce an international agreement that would be a model of its kind. This is now a moderate, constructive debate. For a large environmental issue, that makes it a model already.

— *THE WASHINGTON POST.*

Fallen Out of Character

Needling President Reagan is nothing new. He does it to himself — complaining, for instance, about a problem that caused him a lot of sleepless afternoons. What is new is that the ridicule has been sticking.

The president has responded only gradually to the compound crisis of selling arms to Iran and sneaking the profits to the Nicaraguan "contras." First he appointed an investigative panel. Days later, he named Frank Carlucci, a first-rate choice, to head his National Security staff, and endorsed the appointment of an independent prosecutor. Days later, Vice President George Bush acknowledged that mistakes had been made and that the administration's credibility had suffered. Now, finally, the president himself has acknowledged error and expressed regret. The expression was grudging, referring to flaws in the execution of his policies. Still, if he has not yet admitted errors of his own, his use on Saturday of words like "regret" and "deeply disappointed" at least suggests the acceptance of fault.

Until this crisis, Mr. Reagan's popularity, like Teflon, deflected wrath and ridicule alike. A New York Times-CBS News Poll last week showed how quickly the Teflon has disappeared. Half the public thinks he really did know that Iran arms money went to the contras. Seven Americans in 10 think the administration is trying to cover up. For the president's popularity to plummet 21 points in a month reflects displeasure across the spectrum — a sense of comeuppance on the left, of betrayal on the right, of disappointment in the middle.

The external events probably cannot explain all this reaction. Just as there has been something in the public mood that protected against criticism before, there is something in the mood that explains the ferocity of criticism now. What did you expect, some people gibe — he's just an actor.

That wholly misses the point. Yes, Ronald Reagan is an actor, a superb political actor who has conveyed exactly what the American psyche needs in the role of president, reassurance: a patriotism as simple as Sousa. It is the same need that Lee Iacocca addresses in his Plymouth-Chrysler ads: The Pride is Back. Born in America.

The president's offense, in these terms, is not that he is an actor but that he has fallen out of character. He is not supposed to do things like probe for relations with the hated Iranians; he is supposed to be as uncomplicated as Uncle Sam. He is not supposed to fudge, reversing what he said 15 minutes ago; he is supposed to stand for law, trust and truthfulness. He is not supposed to evade the law through secret Swiss bank accounts; he is supposed to win any needed legal authority from Congress, openly.

In the Iran arms story, he fell from the role of hero into that of an ordinary evasive politician, pointing fingers of blame in all directions. That is why so many people have been so eager to hear him confess excess and error — because they have been so eager to forgive. Americans do not want to derail another president. They do want this one to acknowledge the primacy of law.

"Just cause and deep concern and noble ends can never be reason enough to justify improper actions or excessive means," the president said on Saturday. "I pledge to you, I will set things right." It is a welcome step on the hard road back to pride.

— *THE NEW YORK TIMES.*

Do You Want the Call?

Technology has produced a telephone that will tell you who is calling. The engineering of the switching system enables the phone to read the number of the incoming call before it is completed. You can program your phone to block all calls from certain numbers — selected friends, relatives and government agencies with whom you are not eager to talk. Or you can program it to give a special ring when other chosen numbers are calling — the people from whom you most particularly want to hear. If the phone rings while you are having supper, you would like to know whether it is your daughter off at college or the computer that has been trying all week to sell you a cemetery lot. The phone can tell you whether you want to answer it. And you can tell it to refuse all further calls from the cemetery's computer — the use of one automated system to combat another.

This new phone can trace calls. Better yet, if you hook it to a digital display, it can give you the number of the incoming call.

These new services will not be cheap. When they go on sale in New Jersey soon, any one of them will cost a residential customer $6.50 a month. It will be another $1.50 for each additional trick that the phone is programmed to perform, and tracing calls will be $5 each time. If you want to see the number of a caller, you will have to supply your own display screen.

But these new capacities of the telephone are a notable contribution to household privacy. Malicious harassment by phone will become a good deal less invitingly safe. But, malice altogether aside, there is the common everyday harassment of the phone that rings at inconvenient moments. Is it a call you have been waiting for?

The inventors of the telephone network have changed the world by making it possible to communicate without regard to distance. Now, as a further embellishment at a slightly higher price, they are offering the option not to communicate.

— *THE WASHINGTON POST.*

Other Comment

Europe: Punch-Drunk?

The European summit that ended in London on Saturday provided an unsensational curtain to a distinctly ordinary year. The British presidency, which concludes in four weeks, has provided six months of sober and uncontroversial leadership and cannot be faulted for effort. Yet the suspicion remains that, in spite of the absence of serious rows, the Community has lost momentum again and is making too little progress on the issues that matter. The summit has not dispelled this feeling.

A Europe which has already been left behind by Japan and the United States cannot afford to loiter. Optimists argue that once the Single European Act is ratified by all 12 parliaments, and majority voting becomes the rule on many issues now requiring unanimity, matters will improve. That may be, but the suspicion remains that with 12 members there will always be compelling reasons to temporize, to put off until tomorrow that which might cause a nasty row today. The German election next month is one reason why agricultural reform has been shelved this time. Next time it may be a French election, a political crisis in Italy, an outbreak of Greek bloody-mindedness — the permutations are endless.

As a result, the Community gives the impression not of a dynamic organization creating its own future, but a punch-drunk victim waiting for the next problem to come along and clobber it. It could, and must, do better if it is to provide a future for its inhabitants. But there was little sign at the London summit that it can.

— *The Observer (London).*

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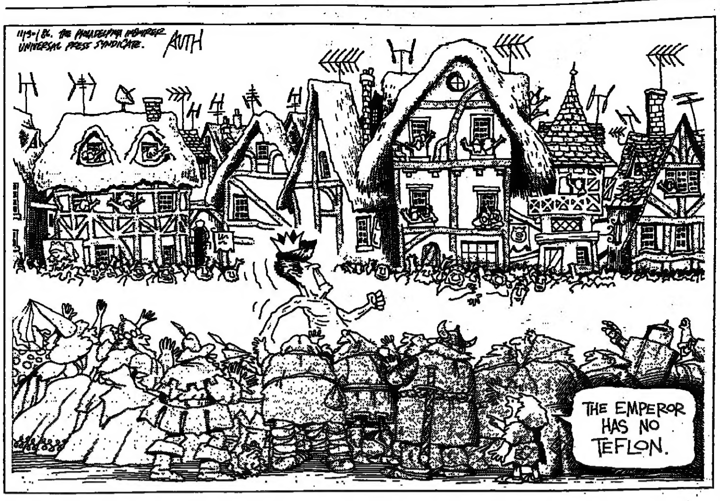
OPINION



Punjab: Cooperation Might Still Avert a Bloodbath

By Pranay Gupte

NEW YORK — The killing of 22 Hindus by Sikh separatists on Nov. 30 and the ensuing anti-Sikh rioting by angry Hindus highlight the inability of Prime Minister Rajiv Gandhi's administration to curb violence. The latest attacks suggest a severe setback to the prospects for stable government in Punjab.

Is lasting peace possible in this volatile state? Or is yet another partition of the subcontinent inevitable?

The prime minister cannot accede to Sikh militants' demand for a separate theocratic state, which they want to call Khalistan. That would provoke intense anger from India's Hindu majority and be politically fatal to him and his ruling Congress (I) Party.

Creating an independent Khalistan also would snap the already fraying string of federal authority that holds India's 22 states together. Separatist movements in other border provinces, such as Kashmir and Assam, surely would be emboldened.

Punjab presents a landscape of political failures. None of Mr. Gandhi's initiatives seem to have worked out.

His negotiations with moderate Sikh leaders last year led to state elections in which a Sikh party, the Akali Dal, won power. His mother and predecessor, Indira Gandhi, had long been reluctant to share power in Punjab with an opposition party. This reluctance led to her intransigence over granting Sikh demands for increased autonomy; to the rise of Sikh militancy; to her precipitous decision to authorize a military assault on Sikhism's holiest shrine, in Amritsar, to flush out terrorists; and finally to her assassination by Sikh bodyguards who had sworn vengeance.

The Akali Dal, however, has proved an ineffective crisis manager, and the security situation in Punjab has rapidly deteriorated in the year since the state elections.

Last summer, Sikh terrorism reached beyond Punjab with the murder of General Arun S. Vaidya. He had been in charge of the army when Mrs. Gandhi gave the order to storm the Golden Temple in June 1984.

The terrorist game clearly is to incite Hindu against Sikh so that the mass of Sikhs will be driven into the extremists' arms. Moderate Sikhs now appear to have been frightened into silence, giving rise to the wide perception that Punjab's Sikh majority supports the Khalistan cause.

Mr. Gandhi's dilemma is to balance short-term and long-term considerations that do not mesh. The short-term requirement is to establish order and security. Mr. Gandhi may have to emulate his mother and send more troops to control the state. The long-term consideration requires him to be even more conciliatory toward Sikhs, to support the concept of civilian government and to accelerate the autonomy provisions that were agreed upon by him and moderate Sikh leaders in the 1985 talks.

With state elections looming in several states and with his party slipping in strength, Mr. Gandhi may be tempted to echo majority Hindu sentiment and take a hard line toward Sikhs. But he should bear in mind that strong-arm measures are not an ideal way to sustain a democracy.

He might consider setting up a nonpartisan commission of respected elder statesmen to fashion a new compact for achieving peace. Previous panels have been employed mostly to suggest technical solutions to specific problems, such as the sharing of river water. A new commission might inject fresh ideas and energy into devising a solution to ensure protection of Sikhs and Hindus alike, while isolating those who espouse terrorism. It might recommend bold steps to increase Punjab's prosperity, lower unemployment among youth and better integrate the state into India's rapidly growing economy.

The role of expatriate Sikhs must not be minimized. Many in Western Europe and North America are suspected of financing militant activities in Punjab. Long-distance meddling threatens the physical welfare of their brethren, especially those who live in provinces far from Punjab. Absentee freedom fighters also need to be reminded of previous partitions of the subcontinent, the lines for which were thickly drawn in blood.

And Hindus must not victimize the Sikh minority, which has contributed much to national progress in the four decades since the British were forced out. Now is the time to demonstrate emphatically that in modern India secularism is more than a concept enshrined in the constitution. When Hindus react as Sikh terrorists want them to, they fuel the momentum that will result in Khalistan.

The writer, author of books on population problems and on India, is preparing a book on development in the Third World. He contributed this comment to the International Herald Tribune.

Poland: Sanctions Should Give Way to Economics

By Flora Lewis

WARSAW — Sporadic talks are going on between Poland and the United States on lifting the remaining sanctions imposed after the declaration of martial law here in 1981.

September's amnesty, freeing the political prisoners, in effect met Washington's conditions for restoring normal relations. Martial law had been lifted in 1983. The sanctions did their specific job.

It is unlikely the prisoners would have been released otherwise, although the regime has clearly gained immediately at home from a measure that was popular and relieved an important internal grievance. It has already reaped some reward.

The question of whether sanctions work or not hinges on what they are meant to achieve, and they can only achieve specific limited goals. The answer also depends on being flexible enough to end the discrimination when these goals are reached.

It is understandable that there is hesitation in Washington, because when prisoners were freed a couple of years ago and some sanctions were lifted, these same people were then rearrested. There can be no guarantees. Lech Walesa, the leader of the now banned independent union Solidarity, says about the possibility of future arrests, that nothing the rulers do "could surprise us anymore."

Still, a peculiar relation has developed between the regime and what it calls "the opposition" but which everybody else calls "the society." There isn't any direct dialogue, which both sides have said they want but for which they insist on vastly different terms. But there is a recognition of each other, each constantly looking over its shoulder to see what the other will do. This imposes tacit restraints. What each does depends on what the other does. In these circumstances, new arrests of known leaders are unlikely, although the government has given itself the power to impose heavy monetary fines and short jail terms.

The present circumstances should nonetheless be taken as an adequate guarantee. Mr. Walesa now says he was misinterpreted and the regime manipulated his October statement calling for an end to sanctions. He had made conditions, he said in an interview in Gdansk, of "real reform," a term just as vague as the regime's promises. Otherwise, he said, new aid would also be wasted.

As usual in Poland, there are intricacies of politics within the politics on each side. The essential, however, is that Poland is in a dramatically bad economic situation and it no longer serves anybody's interest to add disadvantages for political reasons. Washington should say that's that and go back to ordinary policy — restoring most-favored-nation tariffs for Polish exports, ending the ban on U.S.-guaranteed export credits and ending opposition to Polish membership in the IMF and the World Bank, where Warsaw hopes for fresh funds. In other words, leave economic relations to purely economic considerations.

There is the rub. As opposition polls say, U.S. policy is now inconsistent, since it does not penalize worse violators of human rights, such as the Soviet Union and Romania, in the same way.

But there is not the slightest prospect that existing economic incentives would produce the great flow of hard currency that the government seems to expect. Poland owes some $2 billion a year for interest alone on its $34 billion debt. Its net hard currency income is between $1 billion and $1.5 billion a year. Lifting sanctions would probably bring in no more than a few hundred million.

There is a lot of official talk about joint ventures and good business prospects. But Western businessmen and bankers, badly burned by Poland's wasteful misuse of credits in the 1970s, are wary of anything but short-term, quick-return investments or more management control and repayment guarantees than Warsaw is yet prepared to concede.

Evidence that once again the regime is feeding on its own illusions is that there are no more West European sanctions against Poland, but neither are marks or pounds or francs pouring in. Having blamed so much of its troubles on U.S. sanctions, the regime will be hard put to explain why things do not get a lot better when they are lifted.

It comes back to the same old impasse. The economy requires painful reforms that the people will only accept if there are political concessions, which the regime will not give. But the United States should no longer be a party to the blockage. It is the Polish government's problem.

The New York Times.

NATO: Losing Patience With Freeloading Allies

By Stephen S. Rosenfeld

WASHINGTON — Something big is creeping up on the West in regard to NATO. I don't mean the "disarray," policy disputes, misunderstandings and alarms that are the familiar and manageable norm. For the first time now, among elites and increasingly among publics, there is a rising readiness on both sides of the Atlantic if not to abandon the alliance then to alter it in ways that could lead to abandonment, although few of those so minded grant that this is their goal or a likely result.

I say this having just been mildly traumatized by a first encounter with Neil Kinnock, who hopes to lead Britain's Labor Party back to power. He would ban Britain's nuclear bomb, an understandable response to British economic duress and strategic irrelevance, and end American nuclear basing, an incomprehensible and self-defeating affront to the greater dependence that Britain must inevitably accept if it forgoes its own nuclear deterrent. In West Germany the opposition Social Democratic Party is tugged even more to spare itself nuclear taint and risk.

Mr. Kinnock pays his respects to NATO and offers his party's resolutions favoring compensatory conventional defense spending as proof of good faith. But his European kind seem deaf to the NATO debate that has been picking up steam. They do not seem to realize how anti-nuclear arguments, with their denied but undeniable overtone of nuclear freeloading, grate on the ears of Americans. Many already feel that Europe has not been paying its fair conventional share or adequately supporting other aspects of U.S. policy.

Budget pressures are forcing military choices which, in its halcyon days, the Reagan administration thought it could spend its way around. NATO takes half-plus of the Pentagon budget, and the Europeans, although they have their own economic woes, are rich and spend relatively less on defense than Americans do. In America, in fact, an argument has already begun — it could yet move toward the center of political debate — over how to spend a NATO dividend. Conservatives would apply it to regional or Third World security projects, liberals to defense cuts.

The whole nuclear dilemma continues to grind away at Atlantic ease. Strategic and political circumstances keep changing and sharpening the question of what will make nuclear and conventional deterrence work. The latest passage, at Reykjavik, was typical. President Reagan finally pursued the sort of ambitious arms control that Europeans like to say they favor. He found that it scared them out of their wits, since it upsets traditional ways and could make Europeans do more for their security.

It is precisely to shock Europeans into increasing and improving their defense that many Americans now favor the idea of unilateral troop withdrawals. NATO officials regularly invoke the idea by way of warning the Europeans to pull up their socks.

Yet the reigning orthodoxy and much evidence hold that attempts to galvanize Europe will only dispirit and fragment it. By this view, "Europe" is a political idea but far from a political reality. The U.S. presence spares Europeans not simply the costs of carrying their own weight but also the rigors of working as one.

The weight and the comfort (for Europeans) of the status quo are what tempt a Neil Kinnock to respond in his insular way to his country's economic pressures and his constituency's political tastes. How much easier it is simply to hope that NATO, a remarkably resilient structure which has absorbed previous, similarly self-indulgent blows from France, Canada and others, will still hold. Except that the Labor blow would be a big one. And that American opinion is losing patience with European freeloading, which draws and deserves American impatience.

The Washington Post.

How Beirut Can Haunt Washington

By Jim Hoagland

BERLIN — Inevitably, Robert McFarlane and Oliver North fade into one-dimensional symbols as revelation tumbles after revelation in the damaging scandal now gripping Washington. Rambos to some, incompetent and perhaps evil bunglers to many more, they have become blank screens onto which Americans project their feelings about six years of Ronald Reagan's leadership.

Newspapers that failed to describe Mr. McFarlane's evident limitations when he was a powerful figure in the White House have removed hands from eyes, ears and mouth. In disgrace, Lieutenant Colonel North is as mysterious and cartoon-like as he was when riding high and covert.

Investigators probing the wreckage of the Reagan administration's antiterrorist policy will need to look closely at the complex human emotions of these two men, one a professional marine and the other a former one, and the pressures that took them to the Tehran Hilton, shepherding arms to Iran's ayatollahs.

They will find that the trail to Tehran stretches back to the 1983 bombing of the U.S. Marine Corps barracks in Beirut and the searing effect it had on Mr. McFarlane, Colonel North and Secretary of State George Shultz, a former marine. It was that act of terrorism, it appears, that locked the National Security Council staff on the course of running secret operations in the Middle East.

The massacre of 241 Americans in poorly defended positions at the Beirut airport on Oct. 23, 1983, has come back to haunt the administration.

It is easy to imagine Mr. McFarlane, Colonel North and Mr. Shultz consumed by anguish and some guilt over having put the marines in harm's way for political aims that were so ephemeral that the president was shortly to abandon them. It is even easier to understand them vowing to find and to punish the Islamic fanatics who engineered the attack.

The trail from Tehran leads back to the U.S. Marine barracks.

Mr. McFarlane and Colonel North took charge of a secret high-level inquiry to find out who had organized the bombing and how they could be made to pay. The answers coming back directly to the NSC through marine trainers working with the Lebanese Deuxième Bureau, or military intelligence, all pointed to Sheikh Mohammed Hassein Fadlallah and his immediate followers in the Hezbollah organization.

On March 8, 1985, a group of Lebanese Baha'is, recruited by the Deuxième Bureau to avenge both the marines and Baha'is persecuted in Iran, set off a car bomb that missed killing the sheikh but killed more than 80 others. Many of those involved were found and killed by Hezbollah forces, according to an intelligence source with wide Middle East contacts.

It was at about this time that Colonel North's name surfaced in intelligence circles in Beirut as running covert operations on his own, outside CIA channels there. The suspicion was that the attack on Sheikh Fadlallah may have been one of those operations, although sources in Washington said in May 1985 that it was the CIA that had put the Deuxième Bureau on the sheikh's trail.

Colonel North is said to have run operations against the Syrians with the help of aides to Samir Geagea, a Maronite Christian militia leader.

The marines were not avenged, but a pattern was established of Mr. McFarlane and Colonel North "going operational" on sensitive Middle East missions and making their own policy decisions on terrorism.

Much of what the two men did in the Middle East was apparently discussed with Mr. Shultz but never passed down to any other level at State. Mr. Shultz turned off efforts to plan a more modest effort to establish political contacts with Iran.

Operating from misplaced confidence that he could do in Iran what Henry Kissinger had done in China, Mr. McFarlane sought control of U.S. policy toward Iran from the first days of the administration.

Colonel North's apparent decision to go for a truce, underwritten with arms shipments, with the Iranian-backed terrorists who had been stalking Americans abroad, was a horrible misjudgment that has not run its course. It is almost certain that the two most recent kidnappings of Americans in Beirut were ordered by a radical faction in Iran that wanted to abort the secret U.S.-Iran contacts.

The Washington Post.

LETTERS TO THE EDITOR

New Caledonian Trouble

The Melanesian Kanaks do represent about 43 percent of the population of New Caledonia, but some reports give the impression that all 43 percent want independence from France. This is not true.

The legislative body consists of 46 members. At the last vote, 34 voted to remain with France. Of those, about half are Kanaks; and the assembly's president, Dick Ukeiwe, is a Kanak.

I think readers also have the right to know that the Kanak independence faction has been supported by Colonel Moammar Gadhafi. Eighteen persons were sent to Libya for "training" just before the last national elections in 1984. Colonel Gadhafi contributed about $5 million for the support of the independence faction.

HAROLD G. HOLCOMBE Jr.
Christiansted, U.S. Virgin Islands.

Getting the Wright Title

In "Legislators, Stunned, Predict a Halt to 'Contra' Aid and Vow an Inquiry" *(Nov. 28)*, you report that Representative Jim Wright of Texas will become House majority leader. Speaker, in my opinion.

BERNARD SINSHEIMER.
Boulogne-Billancourt, France.

IN OUR PAGES, 75 AND 50 YEARS AGO

1911: The Taft Message

WASHINGTON — In his Message to Congress on foreign affairs [on Dec. 7], President W.H. Taft pays particular attention to the arbitration treaties negotiated recently with Great Britain and France, which he recommends strongly to the consideration of the Senate. The President urges their ratification as making for the peace of the world.

NEW YORK — That Russia will soon honor passports issued to American Jews and permit their bearers to enter the Tsar's domains was indicated [in the president's message to Congress]. Mr. Taft said that sufficient progress had been made in the diplomatic negotiations over the subject to warrant their continuation, for the Russian Government is addressing itself seriously to the need for changing the present practice.

1936: Give Up the King?

LONDON — Mrs. Wallis Warfield Simpson made an offer to give up King Edward VIII and end the crisis which their romance has caused a few hours after Prime Minister Stanley Baldwin announced [on Dec. 7] in the House of Commons that the King had not yet made up his mind. Mrs. Simpson's decision came in a statement issued at Cannes through Lord Brownlow, the King's Lord-in-Waiting, who accompanied her on her dash to the Riveria. It said: "Mrs. Simpson throughout the last few weeks has invariably wished to avoid any action or proposal which would hurt or damage his Majesty or his throne. Today her attitude is unchanged and she is willing ... to withdraw forthwith from [the] situation." That the King might abdicate did not appear to be ruled out.

AFTERMATH OF THE IRAN DEAL: Suspicions in the Arab world, unconcern in Managua

Iran Arms Sales Harm U.S. Ties to Arabs

But Analysts Say Strategic Concerns Should Limit Any Long-Term Damage

By David K. Shipler
New York Times Service

WASHINGTON — The secret arms sales to Iran appear to have worsened American relations with Jordan, Egypt, Iraq and some other Arab countries, at least temporarily.

Nevertheless, Middle East experts in government and the academic world tend to play down the long-term effects of the Iran episode, arguing that the national interests and strategic alignments of Middle Eastern countries may prove more powerful in shaping their relations with the United States.

"There are certain base lines that exist in our relations with moderate Arabs," an administration official said. "They need us, they need the protection we provide, they don't want the relationship to get out of hand. They know that in a crunch, we're the only ones who will be there."

Fouad Ajami, who heads the Middle East program at the Johns Hopkins School of Advanced International Studies, said: "American policy in the Middle East was not brilliant before this crisis. It was pretty much in disarray anyway. So this episode leaves it about where it was."

For administration officials charged with maintaining a U.S. posture in the region, the repercussions on the arms deal involve both credibility and the strategic priority the United States seems to be giving Iran.

Since Iraq invaded Iran in 1980, the United States has adopted a position of neutrality and has conducted a policy, known as Operation Staunch, to dissuade its allies from selling arms to Iran.

The U.S. effort was welcomed by Iraq, Jordan, Egypt, Saudi Arabia and most of the small Gulf states, which opposed Iran both as a matter of Arab solidarity and in the fear that an Iranian victory would spread a destabilizing Islamic fundamentalism.

The discovery that the Reagan administration, while preaching abstention, was secretly sending Iran weapons through Israel has shaken and angered Arab leaders, diplomats say.

"There is a credibility problem," said a diplomat from a pro-Western Arab country. "It makes the future of these relations very uncertain. Israel and the United States are perceived in the region as acting together. Who sets your agenda? The Israelis? The Iranians?"

Arab diplomats and American officials agree that mere words from the White House and the State Department will not be enough to smooth the atmosphere. Arab leaders want to see the arms shipments to Iran halted.

So far, however, officials in the State Department, and even some specialists in the National Security Council, have not been briefed on the details and are therefore unable to give the Arabs adequate answers. This has delayed the task of repairing the diplomatic damage, which some experts believe requires an early trip to the Middle East by a high-level administration official.

Furthermore, while Operation Staunch technically remains in effect, some officials concede the difficulty now of persuading others to bar weapons sales to Iran.

"I'd be naive if I didn't expect a higher degree of cynicism," a senior official said. "What's the ripple effect? What's this meant in terms of giving signals to the black market, all the wheelers and dealers who say, 'OK, Uncle Sam is in this up to his armpits. Let's go.'"

There has been no indication of how strongly the administration intends to press Israel to stop shipments. According to Gary Sick, an Iran specialist in the White House during the Carter administration, the Israelis sent Iran nine to 12 shiploads of military supplies during the last year totaling more than 5,000 tons and worth an estimated $500 million to $1 billion.

Israel has long argued that given Iran's strategic importance, it made sense to maintain contacts, even with the anti-Israeli and anti-American regime of Ayatollah Ruhollah Khomeini.

Nor has the Reagan administration abandoned the goal of establishing relations, an official said.

That priority has disturbed some pro-Western Arab governments, especially Egypt, which reoriented itself from the Soviet Union to the United States and sacrificed its leadership in the Arab world to make peace with Israel.

"The Iran story makes them feel they don't count for very much in America's interest," said William B. Quandt of the Brookings Institution. "Nowhere can you see a statement made by the president saying Egypt is extremely important, and you have to take extraordinary measures to help them cope with their problems."

"It's just that somehow Egypt is no longer as central to our approach to the Middle East, and we're even prepared to run off after illusions in Iran rather than securing our relationship with Egypt."

But Mr. Ajami of Johns Hopkins expressed doubt that the pro-Western Arab states were all that shocked by the administration's interest in Iran.

"The Arabs understood that Iran would always be a serious claimant for American resources and American attention," he said. "It's understood that the Arabs couldn't use American power to annul Iranian power."

An indication of this has been Saudi Arabia's recent contacts with Iran. Despite extensive financial aid to Iraq, which reached an estimated $1 billion a month in 1982-83, Mr. Sick noted that the Iranian foreign minister had met in Saudi Arabia with the Saudi defense minister, Prince Sultan.

Reuters

MOROCCO TALKS — Defense Secretary Caspar W. Weinberger of the United States, arriving Friday in Rabat for talks with King Hassan II, was greeted by Foreign Minister Abdellatif Filali. Mr. Weinberger said Saturday he would approve the sale of F-16 fighter planes to Rabat.

In Nicaragua, a Toy Sale And Volcano Outweigh Washington in Interest

By Stephen Kinzer
New York Times Service

MANAGUA — Between the Christmas toys that are to go on sale soon, the rumors about disappearing children in the capital and the cave-in at the nearby Masaya volcano, there has been plenty to talk about here lately.

One thing that does not seem to preoccupy Nicaraguans, however, is the crisis in Washington over arms sales to Iran, especially the diversion of millions of dollars to the Nicaraguan rebels known as "contras" at a time when Congress had forbidden such aid.

Nicaraguans, including leaders in the government and the opposition, have been spectators as the drama unfolds in Washington. There is no consensus on whether the impact on Nicaragua's Sandinist government will be positive.

"Many of our political people think this affair helps us," a government official said. "They argue that anything which reduces Reagan's popularity in the United States makes it harder for him to continue funding the contras."

"But I have also talked to military intelligence people," the Nicaraguan official said, "and they are worried that if the contras are firmly cut off by Congress, that could make a direct American intervention more likely."

On Wednesday, the government protested what it said was increasing U.S. military activity in Honduras, close to the Nicaraguan border. President Daniel Ortega Saavedra of Nicaragua said he feared that such operations might be part of "a political plan by President Reagan, who is trying to escape the crisis that is confronting his administration."

The next day, Mr. Ortega said that the immediate threat had passed because "mercenary forces" had been pushed out of Nicaraguan territory.

Few ordinary Nicaraguans seem to be taking the military situation more seriously than other dangers they have read about in the past.

In conversations on street corners, several Nicaraguans said they were eagerly awaiting this week's religious celebration honoring La Purisima, the Virgin Mary.

At least two rumors caused far more concern in Nicaragua in recent weeks than Mr. Ortega's warnings of U.S. military moves.

The Masaya volcano suddenly stopped steaming for the first time in more than a decade, prompting fears that pent-up geologic pressure might result in an earthquake. The authorities said that the crater had been plugged by a partial cave-in near the peak.

They closed the volcano to visitors, but said there was no imminent danger.

Meanwhile, a rumor that children were being abducted for ghoulish purposes raced through an impoverished neighborhood in Managua. But after several neighborhood meetings and the reappearance of a young boy, calm returned.

Elsewhere, Nicaraguans were looking forward to a sale Wednesday of 280,000 Christmas toys from Cuba, China and Mexico.

Allegations that the contras received money as part of the Iran arms deal prompted the Iranian Embassy in Managua to issue a rare public statement. Although the embassy did not refer to specific charges, it reaffirmed Iran's support for the Sandinist government and its condemnation of "aid to counterrevolutionaries from this country in any form or manner."

■ Fighting in Honduras

Nicaraguan government troops and Nicaraguan rebels were said to be fighting in Honduras over the weekend, Reuters reported from Teotecacinte, Nicaragua.

Shells fired from Honduras have landed inside Nicaragua only half a mile (four-fifths of a kilometer) from the border village, local residents said Saturday.

Reporters who visited this section of the northwestern Nicaraguan province of Nueva Segovia, which juts into Honduras, could hear mortar and artillery fire Friday but were unable to cross the border, which has been mined by the Nicaraguan Army.

In Managua, the Nicaraguan government denied Friday that its troops were fighting inside Honduras and rejected a protest note sent by Honduras.

Teotecacinte is about 1.2 miles from the border. Villagers said Saturday that the fighting had been going on for three days in the mountains on the Honduran side.

GAO Hints at Misuse of Aid for 'Contras'

By Keith Schneider
New York Times Service

WASHINGTON — A special State Department office set up last year by President Ronald Reagan to distribute $27 million in "humanitarian assistance" to Nicaraguan rebels has been unable to verify how most of the money was spent, according to a report published by the General Accounting Office.

The State Department, however, asserted that many of the conclusions in the report, published Friday, were wrong. The director of the special aid office, Richard W. Duemling, said he was able to account for virtually all of the money, which was spent on food, clothing, and medical supplies for the rebels, known as "contras."

In its report, the General Accounting Office, the investigative arm of Congress, also said that in at least one instance funds were spent on ammunition and grenades, a violation of the congressional act that financed the special aid office.

In another incident, thousands of dollars were embezzled by a Central American supplier, the GAO said.

Some of the details contained in the report were made public earlier this year in hearings on Capitol Hill. The report comes as congressional investigations uncovered possible links between the State Department's humanitarian aid program and secret operations to supply military equipment to the rebels.

For instance, several of the planes used to deliver the humanitarian aid also dropped arms, ammunition and other military goods to rebel forces.

Mr. Duemling said he understood how the accounting office had come to its conclusions. The secret intelligence reports and other classified documents that were used by his office to verify how the funds were spent could not be made available to the congressional investigators, he said.

"There's nothing in the report that gives me any heartburn," said Mr. Duemling, a former ambassador to Suriname. "I am quite satisfied that I had a very good idea where it all went. I was able to visit Central America and eyeballed all of that. The point is I am satisfied those funds were spent as Congress intended."

The GAO investigation focused on the activities of the Nicaraguan Humanitarian Assistance Office, a State Department division established in August 1985 under a presidential executive order. The office for aid to the contras was authorized by Congress to spend $27 million on non-military aid to the rebels.

The office was prohibited by Congress from using the funds to pay for "equipment, vehicles or material which can be used to inflict serious bodily harm or death." In its investigation, the accounting office said it was able to verify that about one-third of the humanitarian aid, or $9.7 million, was spent in the United States. But the investigative agency could not determine how the other two-thirds of the funds, or more than $17 million, had been spent in Central America. In particular, it was unable to account for more than $6 million funneled to Central America through bank accounts in Miami and other cities.

Doug Mills/Reuters-UPI

Nancy Reagan saying her husband decides on the staff.

Reagans Did Not Argue, U.S. Says

Reuters

WASHINGTON — The White House has denied that President Ronald Reagan and his wife, Nancy, had a spat over whether the White House chief of staff, Donald T. Regan, should be dismissed.

The Washington Post, quoting an unidentified source, reported Friday that the Reagans quarrelled over Mr. Regan last week, with Mrs. Reagan urging his dismissal.

The president was quoted as ending the discussion by saying: "Get off my goddamn back."

A White House spokesman, Dan Howard, said Saturday of the report, "There is no truth in it, not the quote nor anything else."

At a ceremony last week, Mrs. Reagan said that decisions on staff changes were up to her husband. She had been asked about reports that she wanted Mr. Regan dismissed because of his handling of the Iran arms sale.

COSTA RICA: *No 'Contra' Aid*

(Continued from page 1)

least twice since June to allow a secret air operation to use a remote airstrip in northern Costa Rica for ferrying arms to the contras in Nicaragua, a top Costa Rican official said Friday.

Costa Rica refused the requests.

The efforts of the U.S. ambassador, Lewis A. Tambs, on behalf of the contra resupply missions, the official said, came while the Reagan administration was barred by Congress from assisting rebel military actions.

Coupled with the disclosure that the senior U.S. military adviser in El Salvador closely monitored the air supply network, the involvement of Mr. Tambs indicates a significantly greater role by U.S. officials than has been acknowledged.

Mr. Tambs contacted Costa Rican officials to "press" them to permit aircraft from the clandestine operation to land at the strip, the senior Costa Rican official said.

The 1.2-mile (1.9-kilometer) strip, the largest private airfield in Costa Rica, was refurbished early this year under the supervision of two Americans working with the clandestine operation, according to crew members.

Mr. Tambs, who is in Washington on a visit, could not be reached for comment on Friday.

But a Reagan administration official said Friday that the ambassador could have been requesting use of the airstrip for delivering nonlethal aid to the contras.

The official said the State Department had paid for a private air cargo company to drop the nonlethal aid into Nicaragua. It was the first administration acknowledgment of such deliveries.

"We were not prohibited from dropping humanitarian aid into Nicaragua," the official said. He declined to name the company contracted for those flights.

In August, Congress approved renewed military aid for the contras as part of a $100-million aid package.

The air network supplying weapons to the contras during the congressional ban came to light after the downing on Oct. 5 of a cargo plane carrying weapons to the contras in Nicaragua.

The only survivor of the flight, Eugene Hasenfus, an American, was sentenced in Nicaragua to 30 years in prison.

Through the U.S. Embassy, Costa Rica three times denied the United States permission to use the airstrip. On Sept. 3, Costa Rican civil guards cordoned it off and littered barrels across it to prevent further use.

U.S. Had Evidence Of Iran Terrorism, Paper in U.S. Says

The Associated Press

MIAMI — The White House had evidence from intercepted communications that Iran ordered and paid for the 1983 terrorist bombings in Beirut that killed 258 American servicemen and diplomats, The Miami Herald reported Sunday.

The eavesdropping network of the National Security Agency intercepted diplomatic messages in 1983 that enabled the United States to follow the movement of more than $1 million from the government of Iran to the Iranian Embassy in Lebanon, the paper said.

An intelligence report obtained by the newspaper said that the money was earmarked for the bombings of the U.S. Embassy in Beirut and the Marine Corps compound near the Beirut airport. The Herald said the report was prepared after the 1983 attacks.

Why the National Security Agency did not use the intercepted messages to warn the diplomats and marines about the attacks was not clear, the newspaper said. But there often were delays in analyzing intercepted information, one official said.

REAGAN: 'Mistakes Made'

(Continued from page 1)

official to admit publicly that "mistakes were made."

White House officials have said Mr. Reagan was pleased with the Bush speech, which was apparently a factor in the president's decision to make similar remarks.

In addition, some Reagan advisers have tried to convince the president to acknowledge publicly that a mistake had been made, expressing the belief that it would help to end the furor.

Mr. Reagan said Nov. 25, when it was first announced that profits from the sale of arms to Iran had been diverted to a fund for Nicaraguan rebels, that the effort to carry out his Iran policy "was seriously flawed." But when asked if a mistake had been made in sending arms to Tehran, he responded emphatically, "No."

Saturday he sought to explain his policy objectives after acknowledging that Americans "must be disappointed and probably confused with all the furor of the last couple of weeks."

"Much of our effort," he said, "has been aimed at stopping terrorism, putting an end to the bombing of innocent civilians and the kidnapping of hostages, especially our own citizens, and bringing about an end to the bloody war between Iran and Iraq."

Describing how the secret contacts had begun, Mr. Reagan said word had come to him that individuals in Iran, including some in the government, had asked through an intermediary in a third country for a meeting with one of his representatives.

"I said yes," he said.

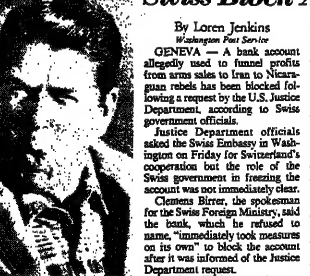
"And even though these were responsible elements in Iran that might be able to assist us in stopping the violence and possibly helping us get back the hostages being held in Lebanon, there was a risk involved," he continued. "But I believed then, and believe now, there was a greater risk in doing nothing, of not trying. So I gave the order to proceed."

The president's explanation did not address the question of why arms had been sold to Iran, although he has said previously that small amounts of arms were provided as a gesture of good faith.

In addition, Mr. Reagan did not explain what had prompted the contacts to be continued after his representative, Robert C. McFarlane, recommended they be ended because of a lack of progress. Mr. McFarlane, a former national security adviser, reportedly testified to that effect to the Senate Intelligence Committee last week.

Mr. Reagan, asserting that the policy had generated "some notable success," said it had led to some reduction in terrorism and the freeing of three American hostages in Lebanon before the secret initiative was disclosed in a Lebanese magazine.

"This effort to establish a relationship with responsible moderates in Iran came to light and was broken off," he said. "But I think you can see the purposes behind our policy: to end the war in the Middle East, to prevent Soviet expansionism, to halt terrorism and to help gain the release of American hostages."



AP

Ronald Reagan

Swiss Block Account for Arms Profit

By Loren Jenkins
Washington Post Service

GENEVA — A bank account allegedly used to funnel profits from arms sales to Iran to Nicaraguan rebels has been blocked following a request by the U.S. Justice Department, according to Swiss government officials.

Justice Department officials asked the Swiss Embassy in Washington on Friday for Switzerland's cooperation but the role of the Swiss government in freezing the account was not immediately clear.

Clemens Birrer, the spokesman for the Swiss Foreign Ministry, said the bank, which he refused to name, "immediately took measures on its own" to block the account after it was informed of the Justice Department request.

But Jorg Kistler, a spokesman for the Swiss Department of Justice and Police, said Sunday that the account had been frozen by the bank even before the request from Washington.

Official spokesmen and bank officials, adhering to Switzerland's bank secrecy laws, have refused to divulge the name of the bank in which the secret account was kept. But sources have indicated it was the Credit Suisse Bank branch in Geneva.

The Swiss account was reportedly set up either by Colonel Oliver L. North, the official of the National Security Council who ran the Iran arms operation, and his associates or by the Central Intelligence Agency. The $10 million to $30 million in profits from U.S. clandestine arms sales to the Iranian government are reported to have been deposited in the account and then used to provide arms to the Nicaraguan "contras."

The U.S. government request to block the account, according to Mr. Kistler, fell short of an official invocation of the U.S.-Swiss bilateral legal assistance agreement that would be required if the government wanted to circumvent Switzerland's bank secrecy laws. To invoke the agreement, Mr. Kistler pointed out, Washington would have to indicate it was conducting a criminal investigation and would have to disclose who was being investigated and why.

Mr. Kistler said the U.S. action had "not been a formal request for legal assistance" but rather an informal appeal for cooperation. The U.S. request had been passed on to the bank in question and it was the bank, not the government, that had acted, he said.

His statement seemed to reflect a desire by the Swiss government to avoid being involved in what it considers a domestic U.S. affair.

Mr. Kistler hinted that the account in question was a U.S. government account and that Washington probably had full records of how much money was in it, when it had been deposited and what checks had been drawn on it. "That is probably why they have not formally invoked the legal assistance agreement that would request information and details on the account in question," he said.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

Straight Bonds

U.S. Dollars

Amt	Security	%	Mat	Middle Price	Yield Mat	Yield Ave Life	Yield Curr
	AUSTRALIA						
$ 100	Australia	11⅞	'90 Oct	115¾	7.20		9.93
$ 60	Australia	8⅝	'91 Oct	100¼	8.67	8.65	8.73
$ 200	Australia	11	'95 May	116⅜	8.22		9.45
$ 200	Australia	11½	'95 Oct	119½	8.30		9.62
$ 100	Australia	11⅝	'98 Oct	116	9.22		10.02
$ 100	Australia	11¼	'00 May	116⅝	9.08		9.67
$ 25	Alcan Australia	8½	'89 Apr	100½	8.22		8.46
$ 60	Alcoa Of Australia	10	'89 Jun	100¾	9.60		9.93
$ 80	Alcoa Of Australia	11	'92 Jul	106⅜	9.37		10.30
$ 75	Australian Ind Dev Co	11	'89 Feb	106¾	7.47		10.30
$ 25	Austraswiss	8	'87 Jul	100	7.86	7.86	8.09
$ 30	Broken Hill Pty	8¼	'89 Apr	100½	7.97	7.78	8.21
$ 150	Broken Hill Pty	14⅝	'89 May	104⅝	12.34		14.10
$ 100	Broken Hill Pty	12	'90 Jan	105½	9.85		11.27
$ 20	Broken Hill Pty	10	'90 May	101¼	9.51	9.44	9.88
$ 150	Broken Hill Pty	10	'92 Dec	106	8.68		9.43
$ 40	Comalco Invest Europe	10¼	'91 Jul	101	9.94	9.83	10.15
$ 100	Commonwealth Bk Austr	12⅝	'89 Nov	113⅝	7.11		10.92
$ 100	Commonwealth Bk Austr	10	'93 Nov	110⅜	7.96		9.05
$ 75	Csr Limited	16	'89 Jul	117½	8.22		13.62
$ 100	Mount Isa Finance	12⅝	'87 Jul	104½	8.91		12.16
$ 100	Mount Isa Finance	11	'95 Dec	110½	9.23		9.95
$ 50	National Austr Bank	11¼	'90 Apr	110	7.73		10.23
$ 140	Qantas Airways	10⅝	'95 Jul	112¾	8.23		9.20
$ 97	Qantas Airways	8⅝	'96 Mar	103	8.14		8.37
$ 100	Queensland	11⅝	'89 Dec	117⅛	7.17		10.24
$ 100	Queensland	8	'91 Jun	101⅛	7.68		7.91
$ 100	Queensland	10¼	'95 Aug	111¼	8.31		9.18
$ 50	Rural Industries Bank	12	'91 Feb	113	8.28		10.62
$ 100	South Austr Gover Fin	8⅝	'93 Mar	102¾	7.96		8.43
$ 100	State Bk New S Wales	11⅛	'90 Jun	109½	8.16		10.29
$ 100	State Bk South Austr	10¼	'92 Feb	109⅞	7.86		9.22
$ 100	State Bk South Austr	9¼	'93 Feb	105¾	8.02		8.75
$ 100	State Elec Com Victor	10	'92 Nov	108¾	8.18		9.20
$ 20	Tnt Overseas Finance	9	'87 Aug	100¼	8.50	8.49	8.98
$ 150	Treasury New S Wales	11¼	'90 May	112¼	7.53		10.47

Deutsche Marks

(Continued on Page 14)

A Monthly Report for the International Herald Tribune. Monday, December 8, 1986

PERSONAL INVESTING

1987 Outlook

FOCUS

Long on Tips, Short on Facts

WE may be living in the Information Age, but experts are questioning just how informed investors really are.

Witness the recent findings of two Yale University economists. They surveyed individuals who bought into one company's initial public stock offering, and found that more than half never read the prospectus, never examined the company's likely performance, and never considered its basic asset value. "It appears that the majority of investors are not well-informed," Robert J. Shiller and John Pound conclude.

According to their study, 25 percent of individual investors first became interested as a result of word-of-mouth advice from friends. In fact, the average investor reported talking about the stock with five other friends, one or two of whom were expected to invest. "You are likely to hear about this kind of thing at a cocktail party or from a business associate," Mr. Pound says. While he had expected an initial offering to attract sophisticated investors, many apparently did little research after the first tip.

J.B. Hanauer & Co., a New Jersey-based municipal bond firm, came to a similar conclusion earlier this year after surveying its clients about their stock-investing habits. About two in five said they discarded their annual reports in less than five minutes, while almost half paid no attention to interest rates. "More and more, the client wants to know less and less," says Hanauer's president, Barry H. Zucker, adding that many are content to rely on the advice of brokers. "They're saying, 'Hey, you're the expert, you decide.'"

INDEED, the Yale study cites a heavy reliance on brokers, with 30 percent of the respondents naming their broker as the source of their interest in new issues. Even so, it is not clear to what extent individuals benefit from the exhaustive efforts of Wall Street research departments.

Philip Waxelbaum, a vice president of national sales at Prudential-Bache Securities, says his brokers routinely provide detailed information to clients when recommending a stock. In addition, the typical client receives about a dozen research reports from the firm each year.

Still, even Mr. Waxelbaum admits that some investors may pay little attention to the rationale behind recommendations. "It depends on the client," he says. "Some clients want to know a lot and others are much more blind-faith types."

Al Frank, editor of the Prudent Speculator newsletter, bristles at the idea of relying solely on a broker's advice about any stock. "Most brokers — I would say 90 percent of brokers — are really ignorant about what they're selling," he contends. "They just parrot what their management tells them to say, and they also do what everyone else does — they go to cocktail parties and listen for tips."

Amos Tversky, a psychology professor at Stanford University, attributes this undisciplined approach largely to the human decision-making process. "People give much too much weight to small bits of information they have without regard to the reliability of the information. We have seen this time and time again."

BUT while depending on tips may be ingrained in investors' psyches, it is clearly dangerous. "Most tips don't work," Mr. Waxelbaum says. "Very rarely are they linked to factual information."

Maurice Minerbi, manager of T. Rowe Price's discount brokerage unit, points out that a tip often spreads so quickly that, by the time it reaches the average investor, the stock's price has already been bid up to reflect the information. Still worse, he says, "When it becomes apparent the information is not sound, people will bail out quickly," leaving the tardy investor with plummeting shares.

Mr. Frank says investors should take on more research responsibility for themselves. "Fundamental analysis needn't be complicated," he says. When he picks stocks, he relies mainly on basic mathematics — addition, subtraction, multiplication and division — to size up a company's financial statements.

His methods have evidently worked well; in the 12 months through Oct. 31, the Prudent Speculator's model portfolio posted total returns of 66.6 percent, according to The Hulbert Financial Digest. That placed the newsletter fifth among 95 that Hulbert tracked during the period.

"I've always felt that after some initial training, you only need to spend a couple hours a week to be intelligent about your investing," Mr. Frank says, adding that initial study could take as little as 100 hours "if you read the right books." His recommends a primer that is considered the bible for so-called value-oriented investors: "The Intelligent Investor," by Benjamin Graham. □

Phil Roosevelt

UPDATE

Futures Falter

AFTER two years of solid returns, commodity funds in the United States have run into turbulence in the latter part of 1986. And there is some concern that the recent poor performance could diminish the funds' newfound popularity.

Erratic markets are largely to blame. The funds, which trade futures contracts, depend on clear-cut market trends. In the last two years, the biggest gainers have been financial futures contracts, especially in 1984 and 1985 as the funds went short and then long on currency futures in response to the dollar's rise and fall.

Since September, however, uncertainty has crept into financial markets. Doubts about the direction of the dollar, interest rates and even the stock market have led to choppy trading in futures. A similar fate befell the funds in the early 1980s as inflation eased and commodity prices dropped.

In the first nine months of 1986, publicly offered funds showed an average loss of 8.6 percent, compared with a 15.2 percent return for all of 1985 and 12.4 percent in 1984, according to Managed Accounts Report, a Maryland-based newsletter that tracks the funds. "The last three months have been horrendous," says Leon Rose, the report's publisher. "But it's still a 50-50 shot that the funds could end the year even."

If they do not, some industry watchers believe the investing public will once again turn away from commodity funds just as it did in 1983, when the net asset value of the average fund fell 14 percent. "It's my impression that the public reaction lags the market by about two months," Mr. Rose says. "People are just now beginning to see the downside." □

Global Investors Favor Europe but Stay Flexible

By John Meehan

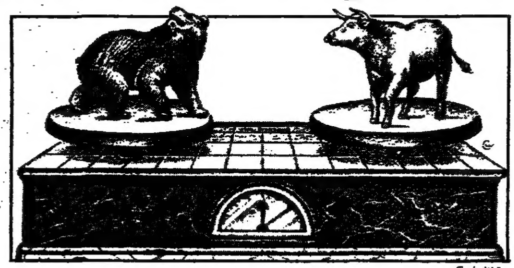
A COUPLE of years ago, Jane Hakham recalls, she could have bought a stock in almost any major market in the world and made money. Rallies were under way everywhere and stock prices quickly responded to a series of clear-cut themes such as economic growth, declining interest rates and the dollar. But nowadays, the manager of global portfolios for Gartmore Fund Management in London admits her job is lot tougher.

"There's still a bit more value out there," she says. "But it's just not as exciting as it used to be."

Money managers are quick to acknowledge that the leaps and bounds that have characterized equity markets since the early 1980s are unlikely to be duplicated next year. Economic uncertainties dog the U.S. market. Investors are wary of Tokyo's high share prices. And European markets clearly are not displaying the same vigor that propelled them to stardom in 1985.

"We've moved so far up in this bull phase that there just aren't any screaming bargains anymore," says Wallace Wormley, manager of the $400-million Prudential-Bache Global Fund.

Despite the absence of any compelling theme, many global money mangers have been reducing their exposure in Tokyo and New York, preferring the predictability of continental bourses. With economic growth expected to average about 2.5 percent in 1987, corporate profits forecast to grow by a healthy pace and with none of the currency headaches that plague Japan and the United States, Europe is seen as the safest bet.



Charles Waller

"I think the continental markets will perform like the fundamentals, steady and sustainable," says Miss Hakham, who is considering expanding her fund's European exposure to between 30 and 35 percent next year from the current 28 percent.

Jacob Van Duyn, head of research and capital management for the giant Robeco group of funds in Rotterdam, agrees. "The short-term outlook is more secure in Europe," he says.

How long money managers will stay this course is difficult to predict. Most acknowledge that they are prepared to be more flexible in 1987 than in previous years to take advantage of short-term opportunities. Few would be surprised if market weightings ended up considerably different by midyear.

For example, if the dollar's decline ends, as many strategists expect, and prospects for the U.S. economy become clearer, New York could take the lead.

After six consecutive quarters of disappointing profits, Mr. Van Duyn says the United States has the best potential for earnings momentum thanks to corporate cost-cutting. If the dollar's fortunes are reversed, he says, the profit acceleration will become obvious.

Prudential-Bache's Mr. Wormley agrees. He says U.S. stocks still offer good value, especially in the current environment of low inflation and falling interest rates. "U.S. companies are leaner, meaner and more competitive," he says.

Adds Martin Nuboer, manager of $372-million Putnam International Fund in Boston, "Certainly the U.S. valuations are in line with the rest of the markets and the currency is not as dangerous."

As for the Far East, money managers are more circumspect about the coming year. Hong Kong, Sydney and Singapore have gained a lot more attention now that many portfolio managers have taken profits in Tokyo. But few are willing to dismiss the potential of the Japanese market. Indeed, many say Japan has a history of surprising foreign investors.

Henry de Vismes, who manages $300 million in international portfolios for Kleinwort Benson in London, has 41 to 42 percent of his assets in Tokyo, primarily in domestic issues such as food, construction and pharmaceutical stocks.

Although he sees another consolidation early in the year because of concern about the U.S. economy, he says this will only be temporary. "If the U.S. economy is reasonably steady in the first quarter, then Japan will be all right," he says. "By the middle of the year, foreign investors will be more optimistic." □

NEW YORK:

The aging bull begins to worry Wall Street

Martin Sass: Foreigners will be a factor.

Wall Street's four-year-old bull market is widely expected to make a charge toward the 2,000 mark by the end of the year. But a December rally, many strategists say, would be a deceptive show of strength from what is by now a tired and volatile market.

"I think we're in an aging bull market," says John H. LaPorte, director of research at T. Rowe Price Associates Inc., an $8.1-billion mutual fund manager in Baltimore. "The third quarter was the first significant down quarter since 1982. It's a technically deteriorating market." He expects the Dow to trade in a range of 1,800 to 1,950 next year, little changed from its current level.

The reasons for skepticism are considerable. Since Jan. 1, equity values have risen more than 20 percent, while corporate earnings are expected to end the year flat or even down from 1985. Key market indicators, such as a lofty price-earnings multiple of 17 and a scant dividend yield of 3.3 percent, leave little room for gains, the skeptics say.

"Typically, in the past, these parameters have been the stone wall that the market goes into," says George H. Vanderheiden, portfolio manager of Fidelity's Destiny I and II funds.

There are still the optimists, though, who view the current lull as a temporary

Continued On Page 8

FAR EAST:

Why Tokyo is looking inward

With the strong yen pummeling profits of exporters, domestic shares seem destined to remain the principal focus in Tokyo for some months. Near-zero inflation, more expansive economic policies and rising wages are bolstering consumer, construction and housing shares. "The Japanese are gradually moving into a frame of mind where they are prepared to spend money on themselves," says Simon Smithson of Kleinwort Benson's Tokyo office.

But the fascination with domestic stocks does little to dispel a fragile market psychology. After a record close of 18,936.24 on Aug. 20, the 225-share Nikkei-Dow Jones average fell nearly 17 percent in two months. In October, prices fell nine consecutive days, a record string of down sessions for the Tokyo exchange.

That month, foreign investors sold the equivalent of $6.25 billion of Japanese securities. Although foreigners have been net sellers of Japanese securities for the past two years, the October sell-off set a record for defections by foreign investors. Many were alarmed by the speculative excesses of the market. "There was a growing disdain for fundamental analysis," says Tim Schilt, vice president at Morgan Stanley in Tokyo. "Stocks were targeted entirely for ease of entry and exit."

In keeping with their reputation of volatility, Japanese stocks rebounded within weeks of the October blood-letting. Still, no one is predicting a return of confidence soon. "It is highly likely that if prices begin to approach the Aug. 20 record, investors will pull out," says an analyst at a British brokerage. That record figure will be a "psychological barrier to all those who lost money in October."

Two of three trends that bolstered the market seem to be running out of steam. The oil-price drop, which boosted utility

Continued On Page 8

LONDON:

Election outlook colors the mood

Kenneth Inglis

The near certainty of a general election in 1987 is beginning to color the prospects for British shares. The future of the Thatcher government and the direction of British interest rates are likely to be the strongest influences on the market over the next six months.

The approach of an election has both beneficial and negative effects. It is reasonably certain that the Tory government of Margaret Thatcher will continue its

Continued On Page 8

EUROPE:

Modest growth with some risks.

The West German economy exhibits the kind of steady, unspectacular growth that makes continental Europe seem reasonably attractive to international investors. The economy will likely end the year with growth only slightly higher than the 2.4 percent of 1985, but most estimates for 1987 call for expansion of 3 to 3.5 percent. Inflation is virtually nil, interest rates will probably stay down and the Deutsche mark is widely expected to climb further against the dollar.

Indeed, moderate to slow growth and low inflation is the forecast in varying degrees for all of Europe's key economies. "Under this scenario, it's possible that Europe will see double-digit [corporate] earnings increases," says Chris Carter, investment manager of BA Investment

Continued On Page 8

BONDS

For 1987, the Pros Bet On the Deutsche Mark

By Phil Roosevelt

New York

THERE should be plenty of holiday cheer among dollar-based investors who bought European and Japanese bonds last year. Thanks to the dollar's sharp fall, these investors reaped huge returns in markets outside the United States as other currencies gained in relative value.

In Japan, for example, seven- to 10-year government bonds offered total returns of nearly 50 percent — counting interest, price appreciation and currency gains — during the 12 months through October. Likewise, similar maturities in the West German markets generated dollar-based returns of almost 40 percent.

"All you had to do was throw a dart and if you landed on any major non-dollar currency, you pretty much did okay," says Bluford Putnam, a senior economist at Morgan Stanley. In fact, you did all right in the U.S. market, too; Treasury bonds with seven- to 10-year maturities posted stellar returns of 25 percent.

But that was last year. For 1987, according to Mr. Putnam and other experts, the art of international bond buying will be a lot trickier. In the United States, some fear a rekindling of inflation, while returns available from other countries seem sure to be trimmed by a slowing of, if not an end to, the dollar's 21-month decline.

"There may not be much more room for betting against the dollar," observes Michael Rosenberg, head of international bond research at Merrill Lynch. "The dollar has already dropped so sharply that it can't keep dropping at the same pace."

Nevertheless, analysts maintain, investors still can look forward to total returns of at least 20 percent in some markets. Some moderate currency-related gains outside the United States are expected and most observers believe interest rates will

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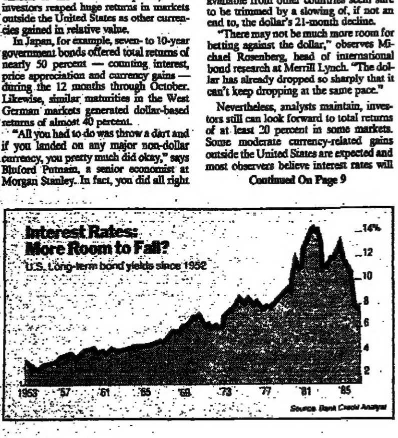


BOURSES

Global Investors Favor Europe but Stay Flexible

NEW YORK:

Continued From Page 7

phenomenon. But their hopes are pinned largely on a major shift in the market's driving force.

The drop in interest rates, engineered by the Federal Reserve and helped along by softening oil prices, has fueled demand for stocks in recent years. But most market watchers believe that the biggest declines in interest rates and oil prices are past. Now, the bulls are counting on improved corporate profits to bring down P-E multiples and excite demand for stocks by midyear.

The catch is clear: Earnings growth depends on a healthy economy. A few economists, such as Edward Yardeni at Prudential-Bache Securities Inc., foresee a recession next year. Others predict sluggish growth in gross national product slightly better than the current 2.5-percent rate.

The wild card on the demand side of the market, many analysts say, is the prospect for significant foreign investment. Washington's success in driving down the dollar has made U.S. shares seem cheap.

Indeed, says Martin D. Sass, president of M.D. Sass Investors Services Inc., foreigners emerged as large purchasers of U.S. shares in the second quarter, buying at an annual rate of $28.1 billion, more than five times the rate for 1985. He sees this trend continuing as foreign institutional investors and companies snap up U.S. assets. "I think foreign acquisitions will be a major driving force in the markets in 1987," he says.

The key player in this scenario is Japan, which must invest the hoard of cash acquired through its huge trade surplus. Japanese authorities have allowed certain institutions there to devote a bigger portion of their portfolios to foreign investments. Mr. Sass puts the pool of investment funds in Japan at $4 trillion and says that, 30 percent of that can now be invested abroad, compared with only 10 percent earlier in the year.

On the supply side, the bulls also count on the shrinking number of quality shares. As in the last two years, more securities have been retired through mergers and stock repurchases than have been issued. About $30.4 billion in stocks have been drained from the market so far this year, compared with $61.4 billion in 1985, according to Salomon Brothers Inc.

John Connolly, chairman of Dean Witter Reynolds's investment committee, sees the stock-repurchase trend continuing because companies have record amounts of cash with no better use for it.

Meanwhile, the market's volatility has been heightened by the insider-trading scandal involving Ivan Boesky, a leading takeover speculator. "I suspect the Boesky affair is just the tip of the iceberg," Mr. Sass says. "It may prove, as it expands, to be unsettling to financial markets. I suspect we'll be seeing more commonplace 100-point daily swings in the market."

Even so, Mr. Sass sees opportunities in companies that are improving productivity, often by closing down marginal operations, saying this will frequently lead to a "large expansion of profit margins." These consolidations favor airlines, such as American, United and Texas Air; car makers, including Ford; and transportation companies, such as CSX and Carolina Freight, he adds.

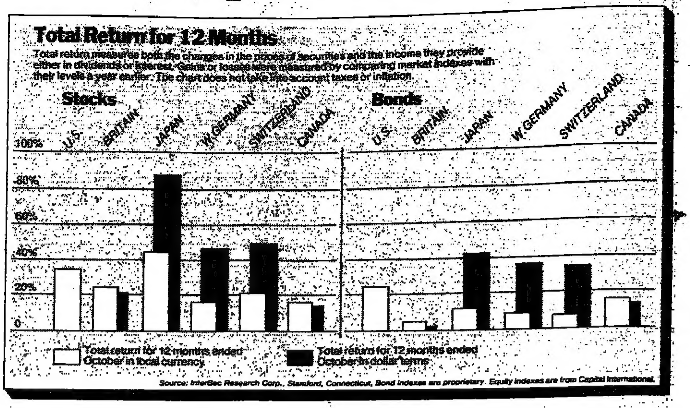
Other money managers favor more typical growth stocks. Mr. Vanderheiden, who uses a "bottom-up" approach to picking stocks, likes companies in the military electronics area, such as BDM International, United Technologies and Frequency Electronics.

Analysts who think the economy will come back strong are betting on cyclical industries such as forest products, chemicals, industrial commodities and machinery companies. Frank Korth, an investment strategist at Shearson Lehman Brothers, recommends Georgia-Pacific and Scott Paper in the forest products area.

Retailing is another sector that stands to do well in an improving economy, reasons Mr. Connolly. Among his favorites are Wal-Mart Stores and Jamesway, "a cheaper way of playing the same theme." Mr. LaPorte of T. Rowe Price prefers Toys R Us and Pic 'N' Save.

Though the decline in interest rates may slow, some money managers still expect them to remain low, which helps interest-sensitive stocks. Mr. Connolly recommends three regional banks: First Union and First Wachovia Corp. in North Carolina, and U.S. Bancorp in Oregon. Other money managers urge caution in this area and suggest picking a utility or a telephone stock rather than a bank. □

Alex Barnum



LONDON:

Continued From Page 7

loose monetary and fiscal policy before going to the polls in June or October, the dates most favored by the pundits. The government is hardly likely to snuff out the consumer and real estate boom on the eve of trying for a third term in office. But all bets are off if the foreign exchange markets launch another assault on the pound, forcing the government to tighten the credit reins to shore up the British currency.

So far, the Conservative Party is favored to retain control, though probably with a reduced majority. Still, many analysts expect a tightening no matter whether the next government is Tory, Labor or some sort of coalition.

"There will be tighter monetary policy almost regardless of who gets in," says Rod Barrett, analyst with Hoare Govett, the London stockbroker owned by Security Pacific. "But the background for the equity market will be reasonable for the next six months."

Interest rates hopes, though, are pinned on American developments. If U.S. interest rates slide further, analysts see scope in Britain for resuming the decline interrupted in October when the base lending rate was raised to 11 percent. But Kenneth Inglis, head of British equity research at Phillips & Drew, thinks rates may first have to rise to 12 percent or possibly 13 percent early in 1987 to protect sterling.

Since the Financial Times Ordinary Share Index peaked at 1,425.9 on April 3, the London market has lost some of its sparkle. Three later rallies failed to rescale those heights. But most analysts and fund managers think the index might surpass the record in the next six months or so.

For one thing, they think the government will be keen to insure a smooth passage for the next steps in the privatization program, because Whitehall has become more dependent for its funding on the sale of equity in state industries than it has on the traditional sale of gilts, as government bonds are known.

In Wood Mackenzie's view, dividends should grow about 12 percent in 1987. But Hoare Govett's

AP-Wide World

A trader at broker L. Messel on the first day of London's Big Bang.

Mr. Barrett sounds a note of caution on profits.

"The expectation that earnings can keep going up in double figures has to be questioned," he says. "The market should start to focus on real rates of return rather than just look at the growth figures."

Most analysts think the best performers over the next six months will be the companies with strong overseas earnings. Mr. Inglis, for instance, picks BOC, the industrial gases group; building-related issues Redland and Bunzl, and Prudential, the big insurer. He also favors chemicals, engineering and life insurance issues. Mr. Barrett and Anthony Bolton, Fidelity International's senior investment director in Britain, regard British bank stocks as undervalued.

Overall, the British market is not dear by either historical or international standards. The published price-earnings ratio is 11.5 based on forecasts of 1987 earnings, down from 13.2 in 1986. At that level, "the U.K. market is not extravagantly priced," Mr. Inglis says. □

Peter Field

FAR EAST:

Continued From Page 7

shares, and the sinking dollar, which prompted Japanese to invest locally rather than in dollar securities, have stabilized. But interest rates may fall further, with some observers predicting the discount rate will fall to 2 percent from its current 3 percent.

The prospect of still lower interest rates is seen as another positive factor for construction and housing. Daiwa House is the favorite of Kleinwort's Mr. Smithson, who says he sees "steady, if not spectacular, growth in housing in the months to come."

Beyond its residential developments, Daiwa House's attraction is its leisure hotel concept. Daiwa builds hotels in pairs, one next to the other, at resorts.

Charles Elliot, Goldman Sachs's chief analyst, targets companies with new products and proven know-how in pushing them through Japan's complex distribution system. He likes Unicharm, which has been particularly successful in marketing a new, compact disposable diaper.

Morgan Stanley's Mr. Schilt, however, argues that export anxiety means that many of Japan's big-name corporations are now good buys. Matsushita, the world leader in consumer electronics, is trading at a modest 18 times earnings. That is inexpensive in view of an overall price-earnings ratio for the market in the 40s.

At the Tokyo branch of Schroders, the British investment advisers, Ed Merner is strong on pharmaceuticals, especially Fujisawa. "Japanese society is aging rapidly," he says, and that means medical care in general is headed for growth. □

Andrew Horvat

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While Tokyo's confidence seems a bit shaky, the mood in Hong Kong and Singapore is decidedly upbeat. Despite the gains posted by the Hong Kong and Singapore markets this year — they have risen by 57 percent and 54 percent respectively from their 1986 lows — brokers and fund managers view both as among the most attractive markets for 1987.

Promising fundamentals are part of the picture. Hong Kong's economy, which could grow by as much as 10 percent this year, will probably slow somewhat in 1987, although expansion is unlikely to dip much below a 5-percent annual rate, according to most forecasts. And recent reports indicate that Singapore has passed the lowest point of its worst recession. Next year, the economy is expected to grow at least 4 percent.

Both markets still boast relatively attractive price-earnings multiples. Hong Kong's P-E is put at 13 through 1987 and Singapore's at 22. The Hang Seng Index in Hong Kong is expected to top 3,000 easily from its current level of just under 2,500; in Singapore, the Straits Times Index, now at about 870, is widely forecast to reach 1,050 by midyear.

The continued interest of foreign institutions, which have played a leading role this year, is also expected. Japanese investors, in particular, are becoming significantly more active, traders say.

"Capital inflows are still very strong in these markets," said Liu Chee Ming, a director at Jardine Fleming (Securities) Ltd. "After a long period of research, the Japanese are beginning to feel more comfortable in Southeast Asia."

Despite the strength of Hong Kong's export sector, analysts continue to favor property stocks and utilities over industrials. Banks are also attracting attention, partly because they are currently trading at about half the P-E multiple of the overall market. Hongkong & Shanghai Bank and its subsidiary, Hang Seng Bank, are the most popular picks.

Managers investing in Singapore are generally building portfolios around a core of blue-chip industrials, financials and properties, with some second-line stocks in each sector. Haw Par Brothers International, Singapore Press Holdings, Chuan Hup Marine and Bondvests are considered to be among the strongest manufacturing shares; among banks, DBS and Overseas Union are favored, as are Singapore Land, United Overseas Land and City Developments in the property sector. □

Patrick Smith

EUROPE:

Continued From Page 7

Management International in London.

But there are risks, he says. If growth slows to the point that recession looks likely, both consumer and business spending could dry up. "So either it's going to be pretty good or pretty bad, but I don't see the stagnation we've had over the past half-year continuing," he says. "The indications will come in the next three to six months."

In West Germany, foreigners' appetite for shares has been far less voracious than in previous years, translating into a less dynamic market. Most investors have made the adjustment to emphasizing domestic, consumer-oriented issues over export-dependent sectors, which means that bargains are harder to find.

Diana de Bosdari, a London-based analyst for Enskilda Securities Ltd., says the major retailers, which are expecting brisker sales, seem pricey. "Kaufhof and Karstadt are very expensive at the moment," she says.

Westdeutsche Landesbank Girozentrale is recommending two retailers on the low end of the market, Massa and Asko.

WestLB also favors the construction company Dyckerhoff & Widmann. Mr. Carter says some German utilities are also attractive. He likes Berliner Kraft & Licht, which he says is not subject to heavy regulation and thus can benefit fully from the decline in oil prices and interest.

German banks are still widely regarded as solid buys, as are some established multinationals such as Siemens and Nixdorf. Mr. Carter would pass up the big chemical companies. "BASF and Hoechst are a little undervalued, but, given the risks involved with the economic picture, I would avoid the sector," he says.

Many of the smaller European bourses that showed so much vitality earlier in the year have settled down. The mood in Switzerland, Italy and Spain is more restrained, and money managers have become far more selective in their approaches.

Swiss banks and insurance companies still look reasonably promising, many managers say, but are not the bargains they were a year or two ago. Analysts at Commerzbank in Frankfurt say they like the Italian insurance company, Riunione Adriatica di Sicurtá, a subsidiary of West Germany's Allianz. In Spain, Mr. Carter favors Unión Fenosa, a utility.

The string of new share issues by European companies, including those being denationalized, will continue into 1987, investment specialists say, but they do not expect the offerings to be burdensome.

"I don't think the new issues will shock the markets," Mr. Carter says. "But gratuitous issues, like Telefonica in Spain, should be avoided. They'll have net growth, but lower earnings per share because of the flood of paper they're issuing." □

Ferdinand Protzman

Growing Enthusiasm for the Bourse

IF THE STRONG demand for the recently offered shares in the Saint-Gobain industrial group is any indication, the Paris Bourse may be headed for another record year in 1987. Analysts reckon that the government's plans to denationalize key banking and industrial groups will result in an influx of new investors that is bound to stir the market in general.

Moreover, a number of observers believe the French government will do everything it can to support the market and guarantee a warm reception for the state-owned companies, especially with presidential elections slated for May 1988.

"Politically, the French government simply can't afford a flop," says Roger Hornett, head of European marketing and research at James Capel & Co. in London. He says that, if necessary, the government can call on state-controlled banks and institutional investors to pump up prices.

Pascal de Salaberry, who tracks European markets for Ivory & Sime, an Edinburgh-based money manager, acknowledges that some institutional investors have lightened their portfolios of French issues in recent months for fear that the market might not be able to absorb the flood of new shares. But he thinks this reaction will be shortlived.

Although Mr. de Salaberry disagrees with Mr. Hornett's exceptionally optimistic forecast for another 50-percent gain in the CAC Index next year, he reckons that share prices could rise by about 20 percent in the first half of 1987. "Paris is going to be one of the most buoyant markets in Europe next year," Mr. de Salaberry says.

The arguments for a rally next year go beyond the privatization program. Phillips & Drew estimates that this year's increase in corporate profits will match last year's 18 percent and will remain fairly high in 1987 at 13 percent. The government's decision to cut the corporate tax rate, as well as greater productivity and lower operating costs thanks to moderate pay raises, get much of the credit for the bright profit picture. Lower interest rates also are helping.

This strong profit growth will help to hold down price-earnings multiples, which have been pushed higher as a result of the market's recent performance. P-Es will average 14.7 next year, down from 16.6 this year and 19.6 in 1985, according to Phillips & Drew. Even experts who believe most share prices already reflect the earnings expectations agree that some overlooked issues remain in the Paris market.

Mr. Hornett believes Peugeot and Michelin are still cheaply priced relative to the rest of the market. He also likes consumer stocks including BSN, Darty and Moulinex.

Mr. de Salaberry leans toward financial stocks, especially insurance companies such as Cie. du Midi. He also likes Cie. Bancaire. Among smaller issues on the second *marché*, he recommends Manoukian, a fashion designer, and Guerimand Voiron, which manufactures specialty paper such as chemically treated paper for electronic printers. □

PRECIOUS METALS

Why Silver Is Drawing More Interest

By Cynthia Catterson

New York

EVER since 1980, when the Hunt brothers brought on chaos in the silver market and prices plummeted from $50 to $11 an ounce in just three months, no one has been particularly excited about the prospects for silver. But a growing number of analysts believe the dark cloud that has hovered over this precious metal may be about to pass, with some forecasting a price increase of as a much as 40 percent in 1987.

Stephen M. Chronowitz, vice president and director of futures research at Smith Barney Harris Upham & Co., is typical of experts who are telling their clients to accumulate silver at current prices. "At $5 an ounce there is ample room for improvement," he says. "Silver's recovery is in its early stages, but we think prices will move sharply higher during 1987."

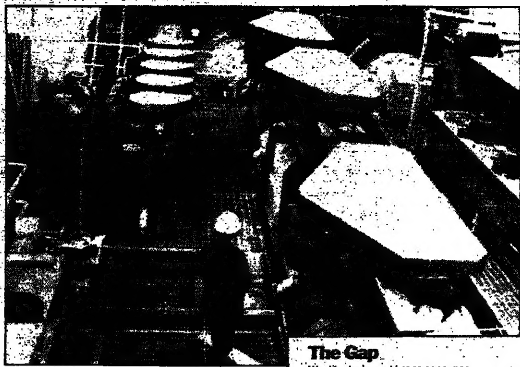
The new interest is a welcome development in the silver market. While the market for gold and platinum has been excited by uncertain supplies and political unrest in South Africa, silver has remained dull. Silver began a declining trend in 1983 and has since languished at an average $5 to $6 an ounce. In fact, it has been at its lowest price relative to gold in more than a decade. As gold achieved $400-an-ounce levels this fall, the ratio of the price of silver to gold reached 1 to 78, considerably lower than the traditional 1 to 35.

Unlike the psychological factors that play a big role in the gold market, the argument for a silver rally is rooted more in simple supply and demand. According to figures compiled by Frederick R. Demler, senior metals economist at Drexel Burnham Lambert, worldwide silver production outstripped consumption by an estimated 25 million ounces during 1986, down sharply from 200 million ounces in 1980, thanks in part to the closing of some uneconomical mines. The diminishing surplus has helped deplete the world silver stockpile, estimated to be more than 2 billion ounces.

At the same time, demand is rising. Industry continues to be the world's leading silver consumer. Of the more than 423 million ounces of silver produced in 1986, Mr. Demler estimates that industrials users bought roughly 398 million ounces, up 4 percent from 1985. Countries such as China that typically invest heavily in low-priced metals are also thought to have boosted demand by stepping up their buying during the summer.

Meanwhile, a number of governments have helped increase the public's interest in silver by minting commemorative coins and medallions, such as the American Silver Eagle coin, which went on sale in November. "The recent minting of these coins has put silver in the limelight again," says Bernard C. Savaiko, senior precious metals analyst at PaineWebber Inc. "Anything that will stimulate demand like that is constructive for the overall price outlook."

Given these factors, many analysts believe silver prices could reach about $7 an ounce sometime next year — perhaps higher if current inflationary expectations prove correct. And with prices hovering around $5, some metal specialists say silver is a bargain with limited downside risk.



The Associated Press

Silver ore is crushed and treated at this mill at the Coeur Mine near Osburne, Idaho.

"The 1982 low of $4.81 and the recent low of $4.80 last May indicates that the market may be forming a bottom." Mr. Savaiko says.

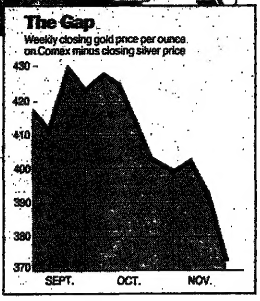
Adds James Kneafsey, president of Cambridge Commodities Corp., "The risk-reward ratio in silver is greater than in any other metal right now and possibly more attractive than any other commodity."

STILL, not everyone is convinced. Though Mr. Demler at Drexel believes the overall trend of the silver market is upward for 1987, he doubts it will last. "It's going to be a rocky ride," he says, and the metal is unlikely to reach double-digit levels. Silver quotes will "bounce around a bit" as increased prices encourage additional scrap recyling and more mining, he forecasts.

Some pessimists even say silver will have trouble maintaining the $5 level. Peter Kettle, research manager at Commodities Research Unit Ltd. in London, warns that if investor demand weakens substantially, prices could drop drastically to $3 an ounce. "People have been buying silver for the last five years expecting prices to go up," he says. "It hasn't proven to be a good investment."

"People have been buying silver at $5 for the last five years expecting prices to go up," he says. "It hasn't proven to be a good investment."

main key is the activity of gold." He estimates that gold closing at $387.50 an ounce at year's end would indicate a



downward trend in precious metal prices in general that could last until next October.

Mr. Armstrong's long-term projections for precious metals, however, point upward through the end of the decade. "We are looking for the next round of ideal highs for gold to reach $1,200 an ounce by 1992," he says. Silver will reach $35 at best, he says, but it all depends on what happens in 1987. "If silver does get down to $4," he explains, "The upward swings in the coming years would be greater."

Silver would be "an excellent buying opportunity at $6.36 per ounce," counsels Mr. Armstrong, because "that would signal an upward trend." Alternatively, if the metal fell, he would be a buyer when it reached $3.80. □

BONDS

1987: The Mark Is a Favorite

Continued From Page 7

continue to fall, at least for the first half of the year, pushing up bond prices.

High on most "buy" lists are West German bonds, with the Deutsche mark as the prime beneficiary of the dollar's weakness. Along with other specialists in the United States and Europe, Thomas Reh, head of international bond trading and sales at Westdeutsche Landesbank Girozentrale, believes the mark will gain another 10 percent against the dollar. He cites a healthy German economy with little or no inflation and "a very stable political situation, assuming — as everyone is — that the current government stays in control" after January elections.

Mr. Reh reckons that the mark's strength will attract more international investors to the market, while domestic demand for capital will change little. Thus, he says, interest rates are likely to drop despite the Bundesbank's current reluctance to reduce key rates, as U.S. officials have urged.

Overall, Mr. Reh sees the 10-year government bond, which recently yielded 6.4 percent, offering dollar-based investors returns of almost 25 percent for the year. Some U.S. analysts put this figure closer to 20 percent, though Mr. Putnam of Morgan Stanley forecasts 30 percent. "We believe West Germany will be the best performing market of 1987," Mr. Putnam says.

The prospects for German bonds so impress Leslie Nanberg, portfolio manager of Massachusetts International Trust-Bonds, that he has placed almost 45 percent of the mutual fund's assets into the market. "Both on the fiscal and monetary sides, [West Germany] is one of the most stringent economies around," he says. "It's a very attractive environment."

Elsewhere on the Continent, Mr. Nanberg recommends the French market, whose 10-year government bond recently yielded 8.6 percent, or more than 2 points above its German counterpart. He said French bonds should be a good buy even if a possible currency realignment by the European Monetary System slows the franc's rise against the dollar.

"Even if the franc lags the mark, you probably could make it up with the higher yield and some appreciation," he says, projecting total returns approaching 20 percent in dollar terms.

The Japanese yen, analysts say, is unlikely to match the mark's appreciation against the dollar. This, of course, contrasts with most of the last 12 months, when the yen gained more rapidly on the dollar than did the mark.

In November, the United States agreed to refrain from efforts to boost the yen in return for Japan taking steps internally to boost its sagging economy. But even then there were hints the agreement would prove to be temporary, and some analysts expect U.S. authorities to resume yen-boosting ploys in 1987 to help U.S. exports. Salomon Brothers estimates the yen will rise another 5 to 10 percent over the year, providing dollar-based returns in the high teens on the 10-year Japanese government bond, which recently yielded 5.5 percent.

Masaki Shimazu, a bond trading manager at Daiwa Securities in Tokyo, said he expects the yen to rise about 5 percent for the year, while prices on 10-year bonds will appreciate by about 3 percent during the first six months.

In the U.S. market, interest rates dropped steadily during the past year as a result of the improved inflation outlook, slow economic growth and an accommodative monetary policy marked by discount-rate cuts.

Nicholas Sargen, an international economist at Salomon Brothers, suggested that U.S. rates will drop further during the first half of the year because of sluggish economic growth and possibly another discount cut. He expects midyear price appreciation of about 7 percent on the 10-year Treasury bond, which recently yielded 5.5 percent.

But, Mr. Sargen adds, Salomon Brothers believes rates are likely to rise again in the second half as fears of greater inflation take hold. Among the factors behind such fears, he says, will be an increase in import prices as a result of the dollar's decline. For the year, then, the 10-year bond could actually depreciate by 3 percent or so, he adds.

In the United Kingdom, where 10-year government bonds, or gilts, recently yielded 11.5 percent, dollar-based investors could see total returns of about 20 percent, according to some analysts. They maintain that yields, which are well above the 3-percent inflation rate, are bound to fall eventually, producing a price appreciation of about 7 percent.

A MAJOR cause of the current high rates is political uncertainty. With elections slated to take place before the end of 1987, investors are worried about a surge in inflation if the Labor Party manages to unseat the Conservative government. "We think the market has overreacted to the political thing," says Jeffrey Hanna, head of international bond trading at Salomon Brothers.

Still, some experts think the gilt market is highly risky. Mr. Rosenberg of Merrill Lynch, who sees total returns ranging from 6 to 20 percent, says, "It could either be the best or the worst market in the world."

He prefers Australia. While the country's trade deficit and inflation hurt dollar-based bond buyers this past year, interest rates remain high and Mr. Rosenberg believes the government is bringing down inflation. Accordingly, he predicts the yield on the 10-year government bond will fall from 13.5 percent, boosting prices by about 6 percent. As for currency risk, he maintains that the Australian dollar will drop no more than another 5 percent against the U.S. dollar, so total returns in U.S. dollars could range from 15 to 20 percent. □

Wall Street Braces for Another Witching Hour

Some stock watchers are expecting a lot of volatility, largely on the downside.

By Anise C. Wallace

New York

INVESTORS stunned by the trading scandals on Wall Street could be in for even more stock market convulsions. Next week, on Dec. 19, another "triple witching hour" will occur, when contracts on stock-index futures, stock-index options and individual stock options expire simultaneously.

Recently, the futures contracts have been overvalued in relation to the stocks of underlying indexes, prompting many investors to sell the futures and buy the stocks. That buying, some experts say, was what pushed the Dow Jones industrial average to a record 1,955.57 last week. If investors did reverse this relationship and the futures contracts became cheaper, a sell-off of stocks could take place next week, some analysts believe.

Some participants in the futures markets are bracing for the kind of gut-wrenching turbulence that in two sessions two weeks before the September triple witching hour whacked more than 120 points off the Dow. Similarly, two weeks before the expiration of the June contracts, futures-induced selling drove the Dow down more than 45 points in one day.

Edward A. Greene, whose firm, E.G. Capital in Stamford, Connecticut, invests in futures and options for corporate cash and pension fund accounts, is cautious about next week. "I expect a lot of volatility, especially on the downside," he says. To protect his clients' capital, he has concentrated on stocks that pay large dividends, and he is avoiding any issues even rumored to be takeover targets. "Now is the time to be cautious," he says.

If futures-related selling does hit in the coming weeks, the blue-chip stocks that underlie the Standard & Poor's 500 futures contracts and the Major Market Index could plunge. (The S&P instrument trades on the Chicago Mercantile Exchange; the MMI on the Chicago Board of Trade.) Trading in the MMI has been particularly wild lately. Gerald Walsh, stock analyst at Prudential Bache Securities in New York, says, "I don't think it's a sound investment; it's too volatile."

Holders of stock-index futures contracts have a couple of choices as the expiration date nears. They can simply let the contracts expire, taking their gain or loss on the investment. Or they can "roll" into the March contracts, maintaining the same "long" or "short" positions they held on the expiring December contracts.

Stock investors who are worried about a selling wave can hedge their positions with options on securities and stock indexes, or they can sell their stocks and move to the sidelines. Many professionals recommend doing nothing, pointing out that in the past the stock market has bounced back from the futures-related market drops.

Despite the concerns of such professionals as Mr. Greene, many investors believe that the next witching hour may be more orderly than was often the case in the past. (In March, for example, last-minute witching-hour trading caused one of the most volatile closes in the New York Stock Exhcange's history.) Market analysts, for one thing, point out that many futures investors are not waiting for the expiration date on Dec. 19.

A number of institutional investors have already begun closing out their positions in the S&P-500 December contracts and have been "rolling" into the S&P-500 March contract. For example, some investors and portfolio managers who were "long" — that is, they owned the December contracts — have closed their positions and bought March contracts.

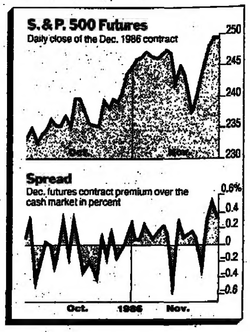
As evidence of such "rolling," analysts point to the "open interest" in the March contracts, or the amount of contracts outstanding. The number has been steadily growing as the number of open December contracts has declined.

ERIC J. Seff, a vice president at Chase Investors Management, the investment subsidiary of Chase Manhattan Bank in New York, says portfolio managers at his firm have rolled out of almost all of their positions. "Everybody we know is rolling," he says. If that is indeed the case, the frenetic activity of the past may be avoided.

But the high level of the stock market is unnerving some investors. As the Dow crossed the 1,900 level late last month, investors began to fear a sell-off. Any sharp decline would change the pricing relationship between the futures contracts and the underlying securities of the indexes. Should the contracts begin to sell at a discount to the underlying stocks, the program traders would set up an arbitrage by buying the contracts and dumping the blue-chip stocks that make up the indexes.

A big enough plunge would be like tossing gasoline on the fire. A decline of 3 or 4 percent would cause the portfolio managers who control $30 billion to $40 billion of "portfolio insurance" accounts to begin their computerized sell programs as well. These programs, which use a strategy combining Treasury bills and stock-index futures, often accentuate large downward moves. Wall Street brokers, knowing that these computer-driven accounts will start dumping futures, also jump in and increase their selling before the portfolio insurance managers.

Should such a selling offensive begin, Wall Street could become a no man's land for small investors. □



Traders at the futures-contracts pit at the Chicago Mercantile Exchange, where S&P-500 contracts change hands.

STRATEGY

Going For Yield In London

London

NOW that the excitement generated by London's Bang Bang is passing, investors are paying more attention to fundamentals and are clearly worried about the near-term prospects for the market. But instead of abandoning the market, some investors are taking a second look at convertible bonds.

Britain's relatively high interest rates and relatively low yields on common stocks seem to work in favor of a convertible, which pays a fixed return like a bond but is exchangeable at some point for the issuing company's common shares. This makes convertibles behave a bit like common stocks in the market place.

"The extra income on convertible bonds is attractive," acknowledges John Vandenberghe, manager of the convertible bond department at Phillips & Drew. "They are still at pretty high levels compared with the basic yield on first-class shares."

Indeed, the yield on blue-chip issues is averaging 2 to 3 percent. Yields on convertibles are significantly higher and, as Mr. Vandenberghe points out, there is also an "equity kicker."

There are two kinds of convertible bonds in Britain, unsecured loan stock and preference shares. Generally quoted in lots of £100, the bonds pay income twice yearly. This can come in the form of fixed-interest payments for loan stocks or dividends for preference shares. Both varieties can be converted into common shares on specified dates.

Investors, however, should note that this hybrid instrument reacts differently from a conventional bond. Although prices respond to changes in share value, they do not move as far or fast at the issuing company's common stock. This makes them especially attractive to risk-averse investors.

For example, if prices on convertible bonds were to drop in a depressed market, their current yields would rise, compensating the investor. The higher yields on convertibles, in effect, put a floor under their prices.

Not surprisingly, the terms of newly issued convertible bonds are set so that the cost of exchanging them for common stocks is slightly higher than the current market value of the share. The percentage difference is called the conversion premium.

In selecting a convertible, experts suggest that investors not only look at prospects for the underlying stock but also limit their view to convertibles whose conversion premium is no higher than 20 percent, and those with a conversion life of more than five years.

Mr. Vandenberghe is currently recommending Hanson Trust's 10-percent convertible. It's current yield is 8.2 percent compared with 3.2 percent for the common stock. The share price is now about 189 pence. The instrument can be converted between 1990 and 2007 and carries a current conversion premium of about 12.8 percent.

Pleasurama's 7-percent convertible preference stock is another favorite. The hotel and casino chain's bond issue, which is redeemable through 2005, has a 6.6-percent yield compared with 3.4 percent for the common stock. Moreover, at 320 pence a share, the convertible is trading at a 2-percent discount to the stock and is redeemable through 2005.

"It looks intrinsically quite cheap," Mr. Vandenberghe notes. "It's unusual for a convertible to stand at a discount." □

— Lynne Curry

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in November.

GAINERS	Percent Gain	Price Nov. 28	LOSERS	Percent Loss	Price Nov. 28
New York Stock Exchange: Compiled by Media General Financial Services. Prices in dollars					
Pandick Inc.	66	25.13	Cannon Group	59	12.75
Fox Photo Inc.	49	29.63	Allegheny Int'l.	31	13.13
Collins & Aikman	47	52.25	Gelco Corp.	23	18.75
Chesebrough-Pond's	39	65.50	Overseas Shipholding	22	19.00
Carter Hawley Hale	36	52.88	Alexander & Alexander	21	27.25
Bally Manufacturing	35	22.38	MCORP	21	10.88
Williams Companies	34	25.13	USX Corp.	19	21.13
Anixter Brothers Inc.	34	13.88	IPCO Corp.	19	11.38
Kaiser Cement Corp.	34	27.38	Columbia Sav. & Loan	18	11.13
Telerate Inc.	33	26.50	Utah Power & Light	18	27.00
American Stock Exchange:					
ACI Holdings Inc.	53	14.38	National Health	24	17.50
Lynch Communication	53	15.13	Pantasote Inc.	22	10.50
Computrac	36	16.13	Horn & Hardart Co.	20	13.88
Welded Tube Co.	29	11.63	ICH Corp.	19	21.38
Lazare Kaplan Int'l	25	10.75	Allin Fragrances	19	12.88
Over the Counter:					
Waldbaum Inc. Class A	92	49.00	Melridge Inc.	46	10.25
Systems Assoc. Inc.	79	13.00	Guest Supply Inc.	39	10.75
For Better Living Inc.	68	11.25	Balchem Class B	29	12.38
Cybertek Computer	52	11.75	Jefferies Group	28	10.75
Lamar Life	43	90.00	Carrington Labs	28	20.00
London Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in pence.					
Simon Engineering	34	336	Sedgwick	13	328
AE	22	286	Storehouse	12	286
Magnet & Southerns	20	244	Sun Alliance Ins.	10	629
Pilkington Brothers	19	616	Commercial Union	9	261
Transport D'vlpment.	17	202	Sears Holdings	8	125
BPB Industries	16	546	Laura Ashley	8	184
Assoc. British Foods	16	336	ASDA-MFI Group	8	152
Wellcome	15	222	TSB Group	7	77
Farnell Electronics	14	193	Guardian Royal	7	777
Meyer International	14	292	British Com. Ship.	7	305
Tokyo Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in yen.					
Kandenko	41	5,650	Fujitec	14	480
Kinki Elec. Constr.	32	3,430	Kokusai Elec. KDD	8	2,210
Oji Paper	32	817	Mori Seiki	8	1,460
Tokyu Land	28	655	Kuraray	7	1,740
Eisai	28	1,950	Kyushu Matsushita	7	2,900
Sumitomo Realty	28	1,590	Citizen Watch	6	471
Sumitomo Warehouse	28	723	Kawasaki Steel	6	170
Sumitomo Heavy	28	262	Honda Motor	5	1,250
Joshin Denki	27	1,920	Matsushita Commun.	5	3,460
Sankyo	26	1,510	Tokyo Electron	5	2,130

هكذا في الأصل

American Flyer
This 18-inch-long monoplane was made by the American Flyer Co. in the 1930s. It sold at auction for £180.

Spring Power
A clockwork mechanism drives this pressed tinplate car and driver. It was made about 1910 by Lehmann, a German company.

Courtesy of Phillips Fine Art Auctioneers

News From Toyland: The Prices Aren't Dinky

By Lynne Curry

London

PARENTS prowling the department stores this season will find few toys as charming as an 80-year-old miniature Mercedes automobile, complete with open top and uniformed chauffeur, that was sold earlier this year at a Christie's auction. But, considering the stiff £7,200 price a collector paid for the German-made car, it is unlikely such a toy would ever fall into the hands of 5-year-old child on Christmas Day.

Such prices are further confirmation that old toys are officially on the list of hot collectibles. In the last several years, the most popular items have been cars, tinplate clockwork toys, soldiers, trains and rocking horses, according to the auction houses.

Cars have done particularly well. Dinky Toys — three- to four-inch-long (7.64- to 10.25-centimeter) cars, trucks and vans — are especially sought after. They were first made in the 1930s by Frank Hornby, a noted British toy manufacturer, and his company Meccano Ltd.

"Five years ago, you could pay £5 for a Dinky Toy that is now worth over £300," says Hilary Kaye, director of Sotheby's collectors department. Some collectors buy the toy cars because they can't afford the real thing, she suspects: "What they really want is an Eldorado Cadillac from 1950."

Some collectors find decorative uses for toys. "People hang them on the wall," says Timothy Matthews at Christie's. "Toys are not only fun, but they are well made and beautifully finished even if you don't play with them."

Rocking horses are probably the best example of toys prized as decorative objects. Made mostly around 1900, the best examples are the larger, finely carved ones with flared nostrils, horsehair and pointed ears. A rocking horse in good condition that fetched £300 two years ago would command virtually double that today, according to Nigel Mynheer, a specialist at Phillips Fine Art Auctioneers.

Toy prices vary according to several criteria. "You have to think of toys as a work of art," advises Ms. Kaye. "The date of manufacture, the name of maker, the condition, and the aesthetic appeal are important. All of the qualities you apply to any other antiques can be applied to toys."

The main pitfall is purchasing repainted or refinished objects. Repainting a worn toy can make it almost worthless or significantly reduce its value. Even if restoration is professionally done, it is often hard to recoup the cost in a future sale, specialists say.

In the market for toy vehicles, those made by German companies, have generally led the field because of their quality. Larger 12- to 14-inch tinplate cars, particularly those made by the German manufacturers Bing, Märklin and Carette, command high prices.

Certain British models are also highly sought after, while American toys are best appreciated in the United States.

Pre-war models with advertising on the side of the vehicle tend to be more valuable. The original box may increase the value up to 40 percent, Mr. Mynheer says.

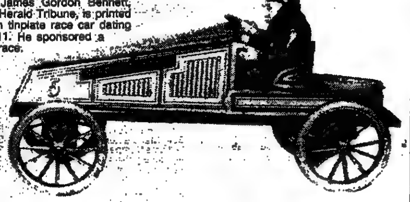
Among tinplate clockwork toys, demand is greatest for German-made objects dating from the 1890s to the 1930s. Prices can range from £100 ($143) for a four-inch beetle with flapping wings, made about 1900, into the thousands of pounds for other objects, depending on rarity.

The demand for lead soldiers is also booming. Some of those in greatest demand were made by W. Britain & Sons, a British manufacturer, in the 1890s through the 1960s. The most valuable generally date from before 1905.

Train collecting is a highly specialized field where quality and the manufacturer's name are particularly important. Bing and Märklin trains are the most in demand because they were beautifully made, although those produced by Hornby and Bassett-Lowke of Britain are also highly sought after.

In 1984, Sotheby's sold a tinplate 1909 Märklin train of the Liverpool-to-Manchester line for £28,000. It was believed to be one of only five in existence and a copy of the "Rocket" train built in the early 1800s, the first locomotive used to convey passengers. □

Early Racer
The name of James Gordon Bennett, founder of the Herald Tribune, is printed on this German tinplate race car dating from about 1911. He sponsored a European auto race.



THE TRADER

Making the Most of Brokerage Margin Accounts

Lower U.S. rates are encouraging this strategy.

By Deborah Rankin

New York

A BYPRODUCT of two recent financial developments — falling interest rates and a rising stock market — has been an increase in the use of margin account buying, or borrowing against one's portfolio.

With margin loan rates averaging 8 percent, significantly less than rates on bank or credit card debt, some clients of U.S. brokerage firms are attracted to margin borrowing as a source of ready cash. More traditional borrowers use margin loans to leverage their investment portfolios and make quick profits in a highly volatile market.

Whatever the reason, investors held a record $34.6 billion in margin debt at the end of September, compared with $28.4 billion at the end of 1985, according to statistics compiled by the New York Stock Exchange. "It reflects the fact that the Dow [Jones industrials average] has increased in recent years, and that, given the interest rate environment, margin borrowing can be an efficient way to increase the level of their investments," says Charles A. Humm, vice president of the Credit Management Group at Merrill Lynch.

Buying on margin doubles profits when the market soars, but losses pile up more quickly when stock prices slide, a risk that few people fully understand. "Brokers are often in too much of a hurry to explain the consequences of margin loans," says Ira Lee Sorkin, former regional director of the Securities and Exchange Commission in New York. Although brokerage customers are legally required to sign margin agreements that outline the terms of the loan, "I'd be shocked to find one person in a hundred who actually reads them," he says.

Karl S. Clark

Margin loans are funds borrowed from a broker, who asks for securities or cash as collateral for the loan. Currently, the Federal Reserve Board limits borrowing to 50 percent of the value of the securities. In addition, the New York Stock Exchange has a minimum initial equity requirement of $2,000. Thus, an investor who makes a $3,000 purchase would have to deposit 66.7 percent — that is, $2,000 — not $1,500, the Federal Reserve requirement. To protect themselves, some brokers may ask for a higher initial margin than the legal minimum.

While most listed shares can be used as collateral, many brokers will not accept stock that sells for less than $10 a share. Stock can be borrowed against immediately, but most mutual fund shares must first be held at least 30 days.

Interest on the loan is determined by the broker's call rate, the interest fee a brokerage firm pays its lender bank. The broker call rate is currently about 7 percent.

The rate that investors pay depends on the size of their account and how actively they trade, so it pays to shop around, advises Gerald Krefetz, a money manager and author of "Leverage: The Key to Multiplying Money" (published by John Wiley & Sons). As a rule, investors with $50,000 of trading equity can expect to pay one-half to 1 percentage point above the broker's call rate; those with only $5,000 will pay 1 to 2 points more than the broker's rate.

Discount brokers sometimes lend funds without a markup. On the other hand, "if the securities head south, discount brokers rarely call you to tell you your account is in jeopardy," Mr. Krefetz warns. They may liquidate your account without warning the investor, whose loss would reflect the extent of the falling stock price.

The leverage provided by margin buying is tremendous. W.M. Bruce McAlpine, a branch manager for Fidelity Investments in New York City, gives the example of the investor who buys 500 shares for $20 a share, putting up $5,000 and borrowing $5,000 more. If the share price jumps to $25, the $2,500 gain gives him a 50-percent return on his initial investment. Someone who bought the shares with cash would have a 25-percent return.

If that gain is reinvested, and the stock price moves up to $30, the difference becomes even more dramatic. The margin trader has now earned a 110-percent return, compared with 44 percent for the cash investor.

ONCE a margin account is actively traded, you must maintain a minimum equity percentage, generally 30 percent. When the value of the account falls below that, the investor must put up more cash, add more collateral or sell part of the holdings. Failure to meet what is known as a margin call means the broker can liquidate your account. The broker will sell off just enough of the stock to bring the margin loan back into line with the required amount of equity.

Experts recommend that investors protect their portfolio by opening two accounts: a cash account for long-term investments and a margin account for more speculative trading. That way, "if you lose the equity in your margin account, you won't get wiped out," Mr. Krefetz says.

Diversifying your portfolio offers additional protection from falling stock prices. Only traders who have time to keep on top of the market should concentrate on one security. Investors who borrow against more than one security, experts say, should use separate margin accounts for each one. In addition, the margin loan should be used to buy shares that are different from the ones held as collateral. And the amount borrowed should always be less than the legal maximum, Mr. Humm cautions.

One way to cut the carrying costs on the account is to buy dividend-paying stocks sufficient to cover the interest charges. But the prices of the securities must have some room to move, so that the investor not only recoups interest costs but makes a profit. □

Sorting Out the Year-End Impact of Tax Changes

New rules for capital gains alter how the game is played.

By Cynthia Catterson

New York

YEAR-END tax-selling has become a ritual in the U.S. stock market, and investors in recent years have become adept at side-stepping shares that are likely to suffer in December. But the tax-law changes that go into effect next year have dramatically changed the rules of the game.

In the past, investors sought tax breaks by selling stocks that were losers and using the loss to help offset the capital gains tax liability on winning issues. Not so this year. Thanks to the new tax law, investors are more inclined to sell off the best performers before the first of the year to lock in more advantageous long-term capital gains treatment.

The shift in strategy is understandable. The new tax code not only abolishes the provision that sheltered 60 percent of capital gains from tax, but it also raises the tax on long-term capital gains to 28 percent from its current maximum rate of 20 percent. This increase is likely to be compounded by state tax laws, which frequently follow the federal government's lead on percentages.

Thus, the incentive to sell off winning stocks that have been held for more than six months has been strengthened. Conversely, stocks that have been held more than six months but have been losers — common victims of tax selling — will be worth more in 1987, when Uncle Sam will match capital loss dollar-for-dollar up to $3,000, twice the current rate.

"There is no doubt that a capital gains sale this year will yield more in the pocket than in 1987," says David Berenson, director of tax policy and practice at Ernst & Whinney.

Although the complexion of tax selling is expected to be quite different this year, Wall Street investment strategists are not predicting an unusually high level of tax-selling activity.

"There might be an increase in tax selling, but the market has already absorbed some of this activity," says William J. Gillard, director of investment policy at Kidder Peabody. "People began adjusting their portfolios a few months ago when it became clear that the tax bill was going to pass and [when] the bull market became erratic."

Unlike tax-selling for losses, which could cause an individual stock's value to drop as much as 10 percent, the impact from this year's selling is more likely to be noticed in the amount of the stock that is traded. The result, according to Gary Strum, first vice president of tax strategy and pension services at E.F. Hutton, is that "strong stocks will probably not be driven down. There will just be a slight resistance against upward movement for a little while."

Some strategists question whether the tax-based trading will even be noticed by the market given how institutional trading eclipses that of individuals. According to the Securities Industries Association, individual investors only account for 25 percent of all trading activity in a typical day. If, as Paul Resnick, first vice president and director of equity research marketing at Hutton, estimates, 10 percentage points of that is tax selling, it would be a banner year for tax-based transactions but not a sufficient volume to upset the market.

MOREOVER, Mr. Resnick believes tax-free institutional investors, like pension funds and profit-sharing groups, are likely to lend support to individual shares that fall victim to tax selling. "If institutions see stock in good companies coming to the market because of tax selling, they are likely to buy it," he says.

Some observers believe that conservative individual investors may emphasize high-dividend, less risky stocks, since the difference in the treatment of capital gains and income has effectively been abolished. But a number of market watchers disagree.

"Tax reform is not going to change peoples' style of investment," says John D. Connolly, chairman of the investment policy committee at Dean Witter Reynolds Inc. "People who invest in utilities might sell one, but they'll buy another. Those investors who like high-yield or growth stocks will play the high-yield or growth market. There will be some changeover, but I don't think it will be much."

This is not to say that some stocks or industries are not vulnerable to pressure from this year's tax selling. In the wake of the Ivan Boesky scandal, Stuart Shikiar, managing director of Prudential-Bache investment management, suggests that companies whose stock have risen from takeover rumors will be hurt by tax-conscious investors anxious to realize capital gains.

Mr. Gillard at Kidder Peabody predicts that moderate-growth consumer stocks, such as those in the retail industry, and interest-sensitive issues — both of which have been big winners in the market — are likely to be damaged by tax selling.

Although the provisions for long-term capital losses entice the investor to wait until 1987, if an individual's losses are greater than $3,000, the loss might be better used to offset this year's capital gains tax. Moreover, with the maximum tax on income still at 50 percent this year compared with next year's 38.5 percent, individuals may find the marginal value of tax benefits from loss-selling more appealing in 1986.

"With the market up 15 percent-plus this year," says Mr. Shikiar at Prudential-Bache, "most loss-selling will be for fine-tuning." Still, he says, the selling of poor performers is likely to depress some losing stocks. □

EUROBONDS

Shake-Up Over Perpetuals Pushes Out Fringe Players

By CARL GEWIRTZ
International Herald Tribune

PARIS — A major shakeout in the perpetual floating-rate-note sector of the Eurobond market last week saw the vast majority of market-makers, who are fringe players even in the best of times, drop out of the business. The dozen or so houses continuing to quote firm bid-asked prices represented the Who's Who of the market — Credit Suisse First Boston, Merrill Lynch, Morgan Guaranty, Salomon Bros. and the like.

They reported that investors were returning to the market, bargain hunting among the issues that had tumbled 3 or more points during the midweek panic selling that had caused a temporary halt in trading.

The panic had many roots. The large volume of issues this year, totaling $7.3 billion, was mostly held by banks playing what's known as the "spread game" — buying paper priced at a margin over the three- or six-month London interbank offered rate and financing it with borrowed one-month money. This gives the bank investors an income totaling the margin on the FRN plus the difference between their one-month financing cost and the normally higher three- or six-month base rate on the FRN.

Easy profits lured firms to become market-makers in perpetuals.

For most of this year, only perpetual FRNs have been marketed with margins over Libor ranging up to 75 basis points, or ¾ percentage point. FRNs with a fixed maturity have mostly been issued at less attractive terms, paying interest at Libid or Limean, the average of the bid-asked rate. The absence of panic selling in this sector (prices were knocked down but bounced back) was taken as evidence that banks were not big holders of this paper.

With interest rates declining during the year, playing the "spread game" produced sizable profits that were easy to earn. Perhaps too easy, because it's generally agreed that inventories of perpetuals held by financial intermediaries were a speculative bubble greatly exceeding the firms' capital capacity to hold the paper as an investment or their ability to find buyers to take the paper.

THE EASY profits encouraged an ever larger number of institutions, seeking to establish a foothold or an image in the increasingly competitive (and unprofitable) global marketplace, to become market-makers of perpetuals.

This frenzied activity led to a continual decline in the price issuers, mostly banks, paid to market perpetuals. The first perpetuals, issued in 1984, carried a margin of 37½ basis points over Libor. The most recent have been as low as 7½ basis points over Libor.

Questions about whether this kind of return was adequate for paper that, by definition, will never be redeemed and on which coupon payments must be skipped if the common stock dividend is ever omitted, were ignored.

Then came the day last week when, after weeks of steady price weakness in the secondary market, some big sell orders hit the market.

As can best be pieced together the major market-makers, who deal with real customers rather than just other dealers, were the first to realize that customers wanted out. These market-makers satisfied their clients by buying the paper that was up for sale and immediately unloaded it on the fringe dealers one step removed from the real market.

At this point, the major market-makers appear to have gone one step further and exploited the information lag of the fringe players by also unloading paper that they did not own. These short sales in a market that already was weak began driving prices sharply lower and soon everyone was trying to sell what they held. But at that point there were no buyers left, and the downward price spiral began to feed upon itself.

Dealers at the major houses assert that the fringe houses panicked: The size of their holdings was too large to begin with, and the losses piling up out of control looked like wiping out their profits — and bonuses — for the year.

These dealers speak derisively of the fringe players, describing their traders as young, inexperienced, cocksure and the banks themselves as lacking the infrastructure to protect themselves from getting overexposed.

"If the little guys want to panic, let them," one of the major dealers commented. "We're not dismayed if they drop out."

This was echoed at the other major houses, none of which wanted to be quoted by name. "The key to making markets during difficult times is access to customers," said another dealer. "You can't depend on the street [other market-makers] for liquidity, you can't operate in a vacuum like that."

To thwart the selling, market-makers at their emergency meeting agreed to widen the bid-offered quotes to 25 basis points from the 10 that had been standard and to cut the transaction size to $1

See EBONDS, Page 15.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	Dec. 5	Nov. 28	Ch'ge
DJ Indus.	1,925.06	1,914.23	+0.57 %
DJ Util.	[illegible]	213.09	—0.54 %
DJ Trans.	860.87	845.91	+1.77 %
S & P 100	238.08	236.06	+0.86 %
S & P 500	251.17	249.22	+0.78 %
S & P Ind	279.42	277.73	+0.61 %
NYSE Co	143.69	142.57	+0.79 %
Britain			
FTSE 100	1,613.50	1,636.70	—1.44 %
FT 30	1,268.50	1,292.20	—1.87 %
Japan			
Nikkei 225	18,637.47	17,083.02	+9.10 %
West Germany			
Commerzbk	2,077.20	2,071.20	+0.72 %
Hong Kong			
Hang Seng	2,400.72	2,418.75	—0.75 %
World			
MSCIP	357.30	347.70	+2.76 %

World index From Morgan Stanley Capital Int'l.

Money Rates

United States	Dec. 5	Nov. 28
Discount rate	5½	5½
Federal funds rate	5⅞	6⅛
Prime rate	7½	7½
Japan		
Discount	3	3
Call money	3 15/16	3¾
3-month interbank	4 5/16	4 5/16
West Germany		
Lombard	5½	5½
Call money	4.85	4½
3-month interbank	4.80	4.75
Britain		
Bank base rate	11	11
Call money	10¾	11
3-month interbank	10¾	10 23/32

Dollar	Dec. 5	Nov. 28	Ch'ge
Bk Engl Index	110.50	110.00	+0.46 %
Gold			
London p.m. fix.$	388.50	389.50	—0.26 %

Currency Rates

Cross Rates *Dec. 5*

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	2.255	3.216	113.01*	34.585*	0.163*	—	5.402*	135.37*	138.70 y
Brussels(a)	41.5225	59.29	20.798	6.349	[illegible]	18.405	—	24.9175	25.58*
Frankfurt	1.9975	2.85	—	30.52*	1.443 x	88.51*	4.808*	119.80*	1.229*
London (b)	1.4293	—	2.8583	9.2355	1,975.50	3.2180	59.34	2.3028	231.745
Milan	1,383.60	1,974.60	693.20	211.40	—	613.42	33.326	838.03	8.903
New York(c)	—	0.7002**	2.007	6.5745	1,390.50	2.268	41.74	1.6703	162.95
Paris	6.541	9.343	3.276	—	4.728 x	2.8971	15.75*	3.923	4.0217*
Tokyo	162.85	233.04	81.07	24.91	11.78*	71.22	390.07*	97.31	—
Zurich	1.6653	2.378	83.46*	25.475*	0.1204*	73.805*	4.0108*	—	1.0251*
1 ECU	1.042	0.7294	2.0893	6.8181	1,441.81	2.352	43.2857	1.7346	169.475
1 SDR	1.2080	0.8453	N.Q.	7.8329	1,659.75	2.704	49.7392	1.9933	195.762

Closings in London and Zurich, fixings in other European centers. New York rates at 4 P.M.
(a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available.
(**) To buy one pound: $U.S.1.422

Other Dollar Values

Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$
Argen. austral	1.176	Fin. markka	4.883	Mex. peso	877.00	S. Kor. won	863.00
Austral. $	1.5267	Greek drac.	139.50	N. Zealand $	1.9743	Soviet ruble	0.6732
Austr. schil.	14.02	Hong Kong $	7.785	Nig. naira	2.1441	Span. peseta	134.60
Belg. fin. fr.	41.96	Indian rupee	13.14	Norw. krone	7.555	Swed. krona	6.911
Brazil cruz.	14.2435	Indo. rupiah	1,647.00	Phil. peso	20.39	Taiwan $	36.21
Canadian $	1.3785	Irish £	0.7318	Port. escudo	147.00	Thai baht	26.185
Chinese yuan	3.7221	Israeli shek.	1.475	Saudi riyal	3.7505	Turkish lira	746.80
Danish krone	7.535	Kuwaiti dinar	0.2934	Sing. $	2.1925	U.A.E. dirham	2.673
Egypt. pound	1.4285	Malay. ring.	2.5925	S. Afr. rand	2.2026	Venez. boliv.	25.00

£ Sterling: 1.049 Irish £

Sources: Banque du Benelux (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

Agency Alters Oil Forecast

Rise in Demand Is Revised Down

Reuters

PARIS — Oil consumption in Western industrialized countries is likely to grow in the first half of next year but by less than originally forecast, the International Energy Agency said Sunday.

In its latest monthly report, the agency estimates that 35.2 million barrels a day will be needed in the first half of next year, compared with 34.65 million in the first half of 1986, an increase of approximately 1.6 percent. It previously forecast a 2-percent increase.

The lower estimate of projected oil use is spread through all the Organization for Economic Cooperation and Development nations, the agency said.

It estimated oil use for the whole of this year in the 24 OECD member countries at 34.8 million barrels a day, compared to 34 million in 1985.

Total oil stocks in OECD nations would be about 441.2 million metric tons (485 million short tons) on Jan. 1, 1987, or enough for 96 days. This is 15.1 million tons higher than a year earlier when stocks for only 93 days were held.

Stocks held by companies in the OECD area would be about 340 million tons by Jan. 1, 1987, compared with 329 million a year earlier, the agency said.

The report said for the first nine months of this year companies had added to their stocks at a rate of 600,000 barrels a day on average while for the same period of 1985 they had eroded their stocks by 700,000 barrels.

"This has been a significant factor underlying higher OECD import requirements," it said.

The report said that imports as a whole had increased and that OECD oil demand in the first three quarters of this year was 34.5 million barrels a day, compared to 33.7 million in the year-earlier period.

As OECD oil production in 1986 remained unchanged from 1985 at an average of 17.1 million barrels a day imports from outside the OECD area had to rise to meet the additional demand, the report said.

Production by the Organization of Petroleum Exporting Countries was estimated at 19.1 million barrels a day this year, up from 17.2 million in 1985.

In November, OPEC output was put at 16.5 million barrels a day, with lower Saudi Arabian and Iraqi production explaining the 800,000 barrels a day decline since October. The IEA said attacks in late November on Iranian export facilities may lead to a downward revision of the November figure.

OPEC crude-oil production estimates for October were revised upward by 750,000 barrels a day to 17.3 million as production levels in most of the Gulf nations exceeded earlier estimates.

North Sea production stayed at approximately 3.8 million barrels a day in November and was expected to remain at this level until the end of the year, the agency said.

U.S., Canada Stall on Free Trade

By Kenneth Freed
Los Angeles Times Service

TORONTO — No one much remembers Willis C. Hawley these days. But the shade of the late Oregon congressman looms darkly over relations between the United States and Canada, threatening not only the world's most lucrative trade arrangement but even global trade patterns.

In 1930, with the seemingly innocent act of introducing a bill in the U.S. House of Representatives to protect Oregon's lumber industry against Canadian exports, Mr. Hawley set off a chain of events that wrecked the international trade system and helped plunge the world into the Great Depression.

His bill attracted hundreds of amendments in both houses of Congress and was transformed into the Smoot-Hawley Tariff Act, which set off a global trade war.

Nobody is predicting a repetition of that disaster but the United States and Canada are halfway through negotiations on a free-trade agreement and, if they fail, economic and political relations between the two countries will be severely affected. In addition, efforts to reform the international trading system will be set back sharply.

After nearly six months of talks, the signs are not promising. Under a schedule agreed to at the outset, the U.S. Congress must have the agreement in hand by next October but the negotiators have yet to announce a substantive agenda.

"We're still fact-finding," Peter Murphy, the chief U.S. negotiator, said recently.

Willis C. Hawley

The ghost of Mr. Hawley, who died in 1941, lingers on in the form of tit-for-tat restrictions on trade. These do not yet constitute a trade war, but they are certainly skirmishes. Ominously, these "irritants," as the negotiators call them, deal with Canadian lumber exports to the American Northwest.

U.S. officials fear that Prime Minister Brian Mulroney of Canada, faced with calls from businesses to protect them from increased U.S. competition, is losing his nerve on his commitment to reach an accord.

Canadian officials, for their part, doubt that their U.S. counterparts understand about special conditions and sensitivities important to people north of the border.

Cross-border trade amounts to $145 billion a year and provides employment for 4 million people. It is the largest trading relationship in the world, and each of the two countries is the other's No. 1 trade partner.

For Canada, the U.S. trade is life-supporting. More than 30 percent of the Canadian economy is dependent on overseas sales. Of Canada's exports in 1985, which totaled $87 billion, 78 percent went to the United States.

The importance of this trade to the United State is underlined by the fact that Canada buys about 25 percent of all U.S. exports, 10 times the amount of U.S. goods purchased by Japan, the United States' No. 2 trading partner.

The 9 million people of the province of Ontario buy more U.S. products than the 200 million people of the five largest countries of Western Europe.

Canada now levies tariffs that average nearly 10 percent on about 20 percent of the American products it buys: the United States levies tariffs that average less than 5 percent on about 15 percent of what it buys from Canada.

Canada also wants to be exempt from U.S. regulations and laws that provide for countervailing tariffs, which are aimed at offsetting subsidies and dumping practices that are found to put U.S. producers at a disadvantage.

William Bennett, the former provincial premier of British Columbia and one of the strongest Canadian advocates of free trade, said in an interview: "I

See TRADE, Page 15

U.S. to Lift Ban on Soviet Nickel

By Clyde H. Farnsworth
New York Times Service

WASHINGTON — The United States plans to end its three-year ban on imports of Soviet nickel, and Washington and Moscow will intensify efforts to help U.S. companies obtain more Soviet business, Commerce Secretary Malcolm Baldrige has announced.

The announcement came Friday after a meeting in Washington during the week of the U.S.-U.S.S.R. Joint Commercial Commission, a body set up by the two governments in 1972.

The Soviet foreign trade minister, Boris I. Aristov, said at a news conference that "we would like to increase trade three and four times with you." He said trade was the sector "where confidence between our two nations can be achieved easier than in other fields."

Mr. Baldrige and Mr. Aristov spoke at the news conference at the Commerce Department.

The principal disagreement over the course of the meeting came over agricultural trade. Washington, under pressure from wheat farmers, has accused Moscow of reneging on purchases of American wheat under a five-year agreement.

Mr. Aristov refused to acknowledge any Soviet breach of the accord. He conceded that the full volume of wheat called for had not been bought but said that "the American wheat was not competitive." Mr. Baldrige countered at the news conference that "we think a deal is a deal."

The ban on nickel, imposed in 1983, stemmed from administration concern that the metal originated in Cuba, against which the United States has embargoed all trade since 1963. Cuba sells half of its nickel to the Soviet Union.

U.S. officials said that the elimination of the ban on nickel is expected to come about with a Soviet certification and U.S. acceptance of the certification that the nickel comes from the Soviet Union. Such certification procedures are unusual in Soviet-American trade.

Excluding Soviet grain purchases, trade with the United States last year totaled $1.4 billion, with the Soviet Union exporting $462.3 million and importing $897.7 million. That is less than half the volume of U.S. trade now with China.

Mr. Baldrige identified several areas in which he said both governments had agreed to intensify efforts to improve U.S. access to the Soviet market.

Saint Laurent Seeking Loans for Ritz Takeover

By Carl Gewirtz
International Herald Tribune

PARIS — Yves Saint Laurent SA, the French fashion company, is tapping the international credit market for most of the money needed to finance its takeover of Charles of the Ritz Ltd.

Saint Laurent, which is paying Squibb Corp. $630 million for the perfume maker, is in the market with three loans totaling $465 million and a further $100 million will be sought soon.

INTERNATIONAL CREDIT

The current package consists of an eight-year term loan of $215 million, a one-year bridge financing of $175 million and a five-year revolving credit for working capital of $75 million.

The one-year bridge finance is aimed at providing cash until Saint Laurent can spin off those parts of Charles of the Ritz that it does not want. Which parts will be put on sale are not being specified, but it is certain that some units will be sold and the proceeds used to repay this loan. Interest is set at 1½ points over the London interbank offered rate.

The term loan, in which banks are asked to specify whether they will commit dollars or the equivalent in French francs, will bear interest of 1½ points over Libor or the Paris interbank offered rate for lending in francs. After the first year, upon repayment of the bridge loan, the charge on the term loan drops to ⅞ point over the base rate.

Participation in the working capital loan is optional. Banks going into this portion must provide at least $7.5 million and stand ready to lend in dollars or francs or any other available Eurocurrency that Saint Laurent may request. Lenders will be paid an annual facility fee of ½ percent whether this loan is drawn or not.

In the first year, Saint Laurent will pay a margin of 1 point over each lender's cost of funds index — a base rate that each lender and Saint Laurent agree upon. After the first year, the drawing cost drops to ⅞ point over the base index.

Front-end fees for banks underwriting $30 million are ½ percent.

The loan charges are high because Saint Laurent is a small company and the debt load quite high. The cash flow generated by Charles of the Ritz, as well as the asset sales, will be used to service the debt. The loan is secured by YSL trademarks, accounts receivable and YSL shares.

The coming $100-million loan will be a mix of debt and equity.

Walt Disney is tapping the market for a $350-million line of credit designed to back the sale of up to $600 million of Euro-commercial paper. The five-year facility carries an annual facility fee of 12½ basis points. To draw on the credit, Disney will pay 12½ basis points over Libor and if more than half the total is drawn it will pay a utilization of an additional 12½ basis points.

Prudential Insurance Co. of America and its Prudential Funding Corp. unit are seeking a $400-million committed revolving credit, with swing-line option and an option for uncommitted multicurrency advances. The facility will carry a commitment fee on the undrawn amount of 5 basis points for the first two years and 7½ basis points in the final two years.

The charge to draw the credit will be at a margin of 17½ basis points over Libor.

Michelin is in the market for $100 million. The eight-year revolving credit facility carries a fa-

See SAINT LAURENT, Page 15

Brazil Demands Concessions on Service of Debt

By Peter T. Kilborn
New York Times Service

NEW YORK — Brazil's finance minister, Dilson Funaro, has told U.S. and foreign bankers that he is determined to extract large concessions on the $103 billion in loans they have made to his country.

"If the debt is to be paid, it will have to be serviced at a much lower cost in the years to come," Mr. Funaro said Friday before a New York audience that included a number of Brazil's major creditors.

The minister did not define the concessions he sought. Brazil, like other major debtors, has become impatient with other assurances of solutions to the payment burdens. They have begun calling for such things as sharply lower interest rates on their loans and outright forgiveness of parts of their debts.

"The Brazilian government," Mr. Funaro said at a conference on debt and world trade, "will be approaching its creditors and spelling out its position along the lines that I have outlined here."

He added: "We shall be prepared to negotiate what is negotiable, and this does not include the growth of our economy."

Most conference participants had been deliberating ways to convert some of the countries' debt to equity, such as common stock.

Brazil wants more. "We have been insisting," Mr. Funaro said, "that economic growth in debtor countries remains the only way to overcome the debt and trade crisis. While this point seems by now broadly accepted, there seems to be a reluctance in accepting its logical consequences," he added, referring to concessions from creditors.

Mr. Funaro's remarks were consistent with the views of one of the conference's sponsors, Senator Bill Bradley, Democrat of New Jersey.

Mr. Bradley has urged that banks relieve the countries of a portion of the debt burdens, arguing that this would permit the countries to build stronger economies, improve the lot of their peoples and buy more U.S. goods.

Bankers at the New York conference said such a policy would only mean that bank lending to such countries would eventually dry up.

Like officials of other Latin American states that have recently shed military dictatorships, Mr. Funaro invoked the political argument that creditor governments, including the Reagan administration, often use in asking banks for more generous lending terms.

■ Conable for Renegotiation

The president of the World Bank, Barber B. Conable Jr., said Saturday that he believed Brazil should renegotiate its foreign debt to achieve better terms, Reuters reported from Rio de Janeiro.

Smith Barney Sues Goodyear And Goldsmith

New York Times Service

NEW YORK — Smith Barney, Harris Upham & Co. has filed a $17-million lawsuit against Goodyear Tire & Rubber Co. and Sir James Goldsmith, contending that both fraudulently misled investors during their takeover battle.

The investment bankers said in the suit filed Friday that while Robert E. Mercer, Goodyear's chairman, and Sir James were denying that they would engage in "greenmail," they were, in fact, discussing the repurchase of Sir James's Goodyear stake at a premium.

Late last month, Sir James agreed to sell his 12.5 million shares to Goodyear for $49.50 a share, plus $3 a share in expenses. Goodyear also said it would purchase 40 million other shares at $50 each.

Sir James, who had offered earlier to acquire Goodyear for $49 a share, made a $93-million profit. Smith Barney said it bought 1.2 million shares in Goodyear between Oct. 31 and Nov. 20 at an average $47.03 a share. The stock closed Friday on the New York Stock Exchange at $42.75.

International Bond Prices

(Continued)

French Francs

Norwegian Kroner

Euro-Currency Units

Japanese Yen

Zero-Coupons

Dec. 5

Pounds Sterling

Canadian Dollars

NASDAQ National List

OTC consolidated trading for week ended Friday. Dec. 5

Convertible Bonds

EUROPE

JAPAN

MISCELLANEOUS

U.S.A.

INTERNATIONAL POSITIONS

You will find below a listing of job positions published last Thursday under the rubric International Positions.

TITLE	SALARY	EMPLOYER
DIRECTOR, DIVISION FOR WOMEN IN DEVELOPMENT		United Nations Development Programme.
MEDICAL INFORMATION MANAGER	Excellent	ASTRA (Pharmaceuticals Int. AB)
INGENIEUR		Organisation Internationale.
SALES PERSON		The International Herald Tribune.
CAREERS IN INTL. DEVELOPMENT	Excellent	Inter-American Development Bank.
SERVICE TECHNICIANS		MOTOROLA.
COMMODITY TRADERS		Gargill (World Leader's in Physical of Agriproducts).
Regional Finance officer/ Physical Plant services officer	Good	ICRISAT.
EUROPEAN CONTROLLER	Good	American Pharmaceutical Company.
TRANSLATOR		International Financial Institution headquartered in Washington D.C.

If you haven't seen last week's **INTERNATIONAL POSITIONS** rubric, please ask for a free copy: Max Ferrero,
INTERNATIONAL HERALD TRIBUNE, 92521 Neuilly Cedex, France.
Tel: (1) 46.37.93.81. Telex: 613595

Euromarts At a Glance

Eurobond Yields

	Dec. 3	Nov. 26
U.S. $, int'l inst., 8 yrs & over	8.17	8.29
public issuers, 8 yrs & over	8.31	8.38
industrials, 8 yrs & over	8.54	8.57
industrials, 5 to 7 yrs	8.27	8.21
Pounds sterling, 5 to 7 yrs	11.31	11.42
French francs, less than 5 yrs	8.60	8.46
ECU, 8 yrs & over	8.29	8.31
5 to 7 yrs	8.16	8.17
Can. $, 5 to 7 yrs	9.77	9.82
Aus. $, 5 to 7 yrs	14.15	14.89
N.Z. $, less than 5 yrs	15.48	15.53
Yen, 8 yrs & over	6.18	6.22
5 to 7 yrs	5.69	5.73

Source: Luxembourg Stock Exchange

Weekly Sales

Dec. 5

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	1,609.90	717.90	3,570.70	700.10
Convert.	—	—	4.10	0.70
FRNs	26.00	63.50	740.30	86.10
ECP	543.10	191.50	2,924.00	23.60
Total	2,179.00	972.90	7,239.10	810.50

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	8,044.40	4,811.00	15,972.10	7,018.00
Convert.	242.30	92.80	818.10	62.80
FRNs	3,155.80	1,017.10	16,148.70	1,604.20
ECP	1,903.90	114.40	2,627.50	22.10
Total	13,346.40	6,035.30	35,566.40	8,708.10

Source: Euroclear, Cedel.

Libor Rates

Dec. 5

	1-month	3-month	6-month
U.S. $	6 7/16	6⅛	6 1/16
Deutsche mark	5	4⅞	4⅞
Pound sterling	11¼	11½	11½
French franc	8 5/16	8 13/16	8 13/16
ECU	7⅞	7⅞	7 13/16
Yen	4 9/16	4½	4⅝

Source: Morgan Guaranty, Lloyds Bank, Reuters.

مطابقة للأصل

New International Bond Issues

Compiled by Aimée Potter Hardoux

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
CMO Euro-Trust 17A	$150	2018	½	100	99.75	Over 3-month Libor. Average life 3.7 years. Fees 0.35%. Payable Jan. 1987.
CMO Trust	$296.75	2018	½	100	99.70	Over 3-month Libor. Average life 8½ years. Fees 0.40%. Payable Dec. 1986.
CMO Trust Series D	$120	2018	½	99¾	99.65	Over 3-month Libor. Fees 0.60%. Payable Dec. 1986.
Heron International	$150	1993	⅛	100	99.40	Over 6-month Libor. Callable at par in 1989. Fees 0.70%. Denominations $50,000. $100 million issued now and $50 million reserved for a one-year tap. Payable Dec. 1986.
Park Labrea	$165	1998	¼	100	99.10	Over 6-month Libor. Callable at par in 1991. Fees 1%. Denominations $10,000. Payable Dec. 1986
Crédit National	FF 500	1991	0.10	100	99.90	Over 3-month Libor unless Libor is at least ¼ over 3-month Pibor, in which case interest would be ¼ over Pibor. Callable at par in 1987. Fees 0.125%. Payable Dec. 1986.
Kansallis Osake Pankki	Y 10,000	1991	—	101	—	Coupon will be 10% of 6-month Libor + ⅛ until 1988, and Libor + 2.20% thereafter. Noncallable. Fees 1⅜%. Payable Dec. 1986.
FIXED-COUPON						
Algemene Bank Nederland	$150	1990	7	101¼	100.13	Noncallable. Fees 1⅞%. Payable Jan. 1987.
City of Oslo	$150	1997	7⅜	101½	99.63	Noncallable. Fees 2%. Payable Feb. 1987.
Crédit Foncier de France	$150	1994	7½	100⅝	99.43	Noncallable. Fees 2%. Payable Jan. 1987.
Euratom	$247	1997	7¾	101⅜	98.88	Noncallable. Fees 2%. Payable Jan. 1987.
Lonrho Finance	$100	1992	8	100½	98.70	Noncallable. Fees 1⅞%. Payable Jan. 1987.
LTCB Finance	$200	1997	8	101⅝	100	Noncallable. Fees 2%. Payable Jan. 1987.
Mitsubishi	$150	1992	7¼	101½	99.63	Noncallable. Fees 1⅞%. Denominations $10,000. Payable Jan. 1987.
Northern Territory Finance	$100	1991	7⅝	101	—	Noncallable. Fees 1⅞%. Payable Dec. 1986.
Rural Banking & Finance Corp. of New Zealand	$200	1994	7¾	101⅜	99.50	Noncallable. Fees 1⅞%. Payable Jan. 1987.
Société Nationale des Chemins de Fer Français	$175	1994	7⅛	100	98.25	Noncallable. Fees 1⅞%. Payable Jan. 1987.
Taiyo Kobe Finance Hong Kong	$100	1994	7¾	101⅛	99.50	Noncallable. Fees 1⅞%. Denominations $25,000. Payable Jan. 1987.
Toyo Trust Asia	$100	1992	7⅜	101⅜	99⅝	Noncallable. Fees 1⅞%. Payable Jan. 1987.
Toyota Motor Credit	$150	1992	7⅛	101⅝	98.88	Noncallable. Fees 1⅞%.
European Investment Bank	£75	1995	11½	101⅜	99.88	Noncallable. Fees 1⅞%. Payable Jan. 1987.
Banque Nationale de Paris	ECU 75	1993	7⅝	101	99	Noncallable. Fees 1⅞%. Payable Jan. 1987.
European Coal & Steel Community	ECU 100	1997	8	101¼	100.38	Noncallable. Fees 2%. Payable Jan. 1987.
John Labatt Ltd.	C$ 100	1992	9½	100½	98.70	Noncallable. Fees 1⅞%. Payable Jan. 1987.
Amsterdam-Rotterdam Bank	Aus$ 60	1990	14¼	101	98.75	Noncallable. Fees 1⅞%. Payable Jan. 1987.
Christiania Bank	Y 8,500	1992	7½	102	—	Redemption amount at maturity will be linked to price of Japanese government bond futures. Fees 1⅞%. Payable Jan. 1997.
Nippon Telegraph & Telephone	Y 50,000	1993	5¾	101⅜	99.63	Noncallable. Fees 1⅞%. Payable Dec. 1986.
EQUITY-LINKED						
Chiba Bank	$100	2002	2⅝	100	—	Semiannually. Callable at 103 in 1992. Convertible at 830 yen per share and at 163.10 yen per dollar. Fees 2½%.
Crédit Suisse Panama	$100	1997	4⅝	100	—	Noncallable. Each $10,000 note with 30 five-year warrants, every 10 of which are exercisable into a lot of one share and one bearer participation certificate at 3,700 francs per lot. Fees 2½%. Payable Jan. 1987.
Development Bank of Singapore	$100	2001	open	100	99.75	Coupon indicated at 4%. Callable at 101 in 1991. Convertible at an expected 5% premium. Fees 2½%. Terms to be set Dec. 9.
General Electric	$150	1994	2⅝	100	100	Each $5,000 note with 53 three-year warrants, each exercisable into one company share at $88⅝ per share, a premium of 27.53%. Warrants, priced at $24.40 each, ended the week at 23.90. Fees 2½%. Payable Jan. 1987.
Pafco Financial Holdings	$20	1993	8	100	99.50	Semiannually. Convertible at C$16⅛, a 16% premium. Fees 2½%. Payable Dec. 1986.
Shiseido	$120	1991	3⅝	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 2,050 yen per share and at 162.40 yen per dollar. Fees 2½%.
Takasago Thermal Engineering	$25	1991	3⅝	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 948 yen per share and at 162.85 yen per dollar. Fees 2½%. Payable Dec. 1986.
Yodogawa Steel Works	$70	1991	3⅝	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 450 yen per share and at 163.25 yen per dollar. Fees 2½%.
Next PLC	£40	2002	6¾	100	—	Redeemable at 130 in 1992 to yield 11.52% and callable at 101 in 1992. Convertible at 286 pence per share, a premium of 22.30%. Fees 2½%. Payable Jan. 1987.

EBONDS: *Market Shake-Up Drives Out Fringe Players*

(Continued from first finance page)
million from $3 million. The changes meant that dealers quoting firm prices were less at risk for the amount they took while for sellers it meant a jump in transaction charges.

But by week's end only the major dealers were quoting firm prices. Those fringe players who tried to stay in business were operating as brokers, agreeing to buy only if they had a taker for the paper.

As the dust began to settle it appeared that there had been a fundamental revaluation of what kind of return perpetuals should yield investors. By Friday, the perpetuals of British clearing banks were yielding about 25 basis points over Libor, the French banks 35 basis points and the Australian banks about 50 basis points.

A number of analysts believe that the spark for this reassessment was the recent spate of FRNs collateralized by mortgage obligations. These issues are being offered at ½ point over Libor — making the precrisis yield on perpetuals look ridiculously low. Three such collateralized notes were offered last week and ended comfortably within the commissions paid to underwriters.

Credit National issued 500 million French francs of five-year notes with interest of 10 basis points over the three-month Eurofranc rate (Libor) or, if that base rate is more than ¼ point higher, 25 basis points over the domestic interbank rate (Pibor). At present, Libor is about 100 basis points over Pibor, but by early next year when current restrictions on lending francs to nonresidents expire the two rates should move closer.

Bankers reported there was quite good demand for fixed-coupon bonds. Of the 13 Eurodollar bonds floated, for a total of $1.97 billion, only four issues failed to hold within the fees paid to underwriters. The dollar's relative stability in the foreign-exchange market and expectations of a further drop in U.S. rates were said to be pulling even Swiss investors back to the market while U.S. investors were reported to be buying in the secondary market where five-year paper was trading at about 37 basis points over Treasury yields and 10-year Eurobonds at about 70 basis points over.

New Zealand dollar bonds were battered by the weakening of the currency. Standard & Poor's cut the government's long-term credit rating to double-A from double-A plus. In addition, there was a sharp increase in domestic interest rates. The recent issues for Pirelli and Coke tumbled almost 10 points before recovering for a decline of 3¼ points.

S&P also downgraded Australia, to a double-A-plus, as Moody's had previously, and A-dollar bonds also suffered although these losses were virtually erased as the currency held steady on the foreign-exchange market.

TRADE: *U.S. and Canada Stall on New Trade Accord*

(Continued from first finance page)
know of no one who will support [a new agreement] without removing the countervails, because there will be no stability. You will have to exempt Canada."

For the Americans, the major goal beyond removing tariffs is to end Canadian subsidies on competitive goods.

Officials on both sides expect an almost complete phasing out of tariffs over a 10-year period, with protection for the affected sectors. But the real problem is nontariff barriers.

For Canadians, the U.S. call for an end to Canadian subsides on competing goods threatens their extensive government social welfare system, which allows businesses to cut costs by not having to pay expensive medical and pension premiums.

Even the national unemployment insurance program could be endangered, according to such opponents as Lloyd Axworthy of the opposition Liberal Party. By paying jobless benefits to such seasonal workers as fishermen, Canada is seen as unfairly subsidizing the fishing industry, Mr. Axworthy says.

Mr. Axworthy argues that further integration of the two economies, and a resulting increase in Canadian dependence on the United States, would draw Canada into serfdom, with no room to deviate from Washington's foreign policies.

U.S. fears are fewer but crucial. One involves reopening a 20-year-old agreement providing for limited free trade in automobiles and other vehicles. This agreement has resulted in a lopsided trade imbalance in Canada's favor.

But what particularly bothers the Americans is the Canadian demand for elimination of countervailing duties or Canada's exemption from them.

Thomas Niles, the American ambassador here, recently told a Canadian audience that there is no chance of giving up procedures to protect U.S. businesses against unfair foreign competition.

What happens if the two sides fail to get an agreement before the Jan. 3, 1988, deadline set for final approval by both governments? In Mr. Murphy's view, the best that could be hoped for is that failure would be regarded as a lost opportunity for both sides: for Americans to expand their markets by 10 percent and for Canadians to increase and guarantee access to a vital market.

The worst, Mr. Murphy said, would be a situation where "things eventually slide backward," with Canada having no place to go.

Chances of getting an agreement are 50-50 at best, Mr. Murphy says.

Both sides say that failure of the talks would be devastating to world trade, not only because it could set off an economic war between the United States and Canada but also because it would likely doom multinational efforts to reform and update agreements governing global business.

WORLD STOCKS IN REVIEW / *Via Agence France-Presse*

Amsterdam

Prices on the Amsterdam Stock Exchange barely moved last week, as the general share index rose just 0.7 points to 285.

Stockbrokers Kempen & Co. said the market ignored the firm trend on Wall Street, with the exception of Unilever, which was quoted at 519 guilders on news of the bid for Chesebrough-Ponds.

Share prices of FGH, the only mortgage bank still quoted in Amsterdam, fell to 12 guilders from 38 last week.

Total turnover came to 4.103 billion guilders, against 4.517 billion the previous week.

Frankfurt

Shares traded irregularly last week on the Frankfurt Stock Exchange, except on Wednesday when the market rose in response to a spurt on Wall Street.

Traders said the market appeared nervous over the course of the dollar, which early in the week fell to a six-year low against the Deutsche mark.

The Commerzbank index closed 1.5 points stronger at 2,072.7 while the volume of transactions came to 2.547 billion DM, down from 3.318 billion DM last week.

The automobile section was particularly depressed, with only BMW showing a 1-DM gain to 603. Volkswagen and Daimler lost 10.80 and 75 DM respectively.

One of the stars of the week was the pharmaceutical group Schering, which put on 26.50 DM to finish at 691.

Banks were weaker. Commerzbank lost 3 DM, Dresdner 3.50 and Deutsche Bank 12.50.

Hong Kong

Profit-taking and the death of the governor, Sir Edward Youde, sent the Hong Kong stock market on a late-week tizzy, after the Hang Seng Index had set new highs for three consecutive days.

The index peaked Wednesday at 2,460.00, then lost nearly 30 points both Thursday and Friday to head into the weekend at 2,400.72, losing 18.03 points on the week.

The week began on an upbeat note, still fueled by the Nov. 27 announcement by Jardine Matheson Holdings Ltd. of a major corporate reorganization, brokers said.

But on Friday, the index spilled 60 points on the news of Sir Edward's death, before recovering by noon, when the market was closed for the rest of the day in mourning.

London

Insider-trading scandals continued to dominate sentiment last week on the London Stock Exchange.

Share prices reacted nervously to news that Guinness and Consolidated Gold Fields were the subject of inquiries by the Department of Trade and Industry. The government's decision to prosecute Geoffrey Collier, the former executive at Morgan Grenfell who resigned over inquiries into his share dealings, dealt a further blow to equities.

The Financial Times industrial share index closed down 23.7 points on the week at 1,268.5. The volume of transactions rose from 134,684 to 136,531.

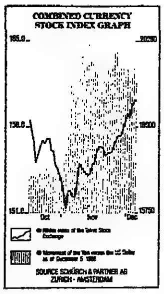
Bright spots included Unilever, which rose sharply in response to its bid for Chesebrough-Ponds.

BOC Group rose on profit news, as did Johnson Matthey and Saatchi & Saatchi, but GEC, Trafalgar House and Argyll Group eased after announcing results at the lower end of market expectations.

Shares in British Gas slumped to 53 pence on the unofficial "gray" market, before recovering to 60 pence, a premium of 20 pence on their partly paid form. Official trading begins on Monday.

Milan

Milan stocks dipped sharply last week and analysts predicted that



the bearishness would continue in the week ahead.

The Milan Stock Exchange Index closed at 1,575 points, compared with 1,642 the previous week. The decline of 4.08 percent followed a rise of 3.03 percent the previous week.

The biggest fall occurred on Friday, when foreign investors unloaded stocks ahead of the exchange's monthly bookkeeping, which occurs this week.

Trading volume was low: 21 million shares a day on average, for a value of 110 billion lire.

Olivetti shed 5 percent, Fiat 4 percent and Generali, in insurance, 4 percent.

Paris

French share prices gained 2.5 percent in active trading last week, as foreign investors returned to the Bourse in force.

Market sources said U.S. investors, unsettled by Wall Street's insider-trading scandal, led the way. The U.S. investors were particularly interested in shares of Cie. Générale des Eaux and Elf Aquitaine, market sources said.

They said the market should remain buoyant over the next few weeks, noting that early next year there would be a new infusion of money. They said an estimated 30 billion francs should be made available, mostly from dividends earned by indemnity notes issued during the wave of nationalizations in 1982.

The week's activities also revealed that major investors were not likely to acquire a significant interest in Saint-Gobain, as the public share offer for the state industrial concern proved extremely popular with small investors.

The CAC index rose from 394.9 to 407.9.

Singapore

Sentiment on the Singapore market improved after Malaysia appealed for an end to anti-Singapore demonstrations triggered by the visit of President Chaim Herzog of Israel.

Another factor that found favor with dealers was a statement by the Monetary Authority of Singapore that the involvement of Singapore banks in the controversy surrounding a 1.3-billion-dollar loan by the Bank of Brunei was small.

The Straits Times industrial index rose 3.45 points for the week to close at 889.99. Seventy-six stocks gained ground while only 68 weakened in cautious trading.

The most active stock for the week was Keppel Investment Warrants with a turnover of 4.44 million shares. It closed unchanged at 26.5 cents.

Tokyo

Share prices rose steadily in heavy trading last week as institutional and corporate investors returned to the market in midweek, after remaining aloof for more than a month.

The Nikkei Stock Average of blue-chip stocks, a 593.44-yen gainer the previous week, added another 554.49 yen to hit 18,637.47 yen Friday.

Turnover was heavy, with volume topping one billion shares Wednesday to Friday.

After a mixed start Monday and Tuesday, the market perked up Wednesday as big investors snapped up large capital stocks after an overnight record-breaking performance on Wall Street. Foreign investors, who had been the sellers on the Tokyo market since January, turned into buyers.

Buying centered on public utilities, such as Tokyo Electric Power, electrics blue chips, such as Matsushita and Toshiba, and giant capital stocks, which played a major role in the summer advance.

Many market analysts predicted the bullish run would continue toward the end of December. Some of them envisaged that the Nikkei might break Aug. 20's record of 18,936.24.

Zurich

The Swiss Bank Corp. index of shares on the Zurich Stock Exchange soared to a new record last week, rising to 681.8 from 677 a week earlier.

Market analysts said the trend should remain positive over the next few weeks, with some predicting that the index would surpass 700 by the end of the year.

But for that to happen, they said, the chemical section would have to continue recovering from effects of a Nov. 1 fire at a warehouse owned by Sandoz that polluted the Rhine.

Chemicals were well-supported last week. Sandoz nominal shares gained 190 points to 4,150 and Ciba-Geigy bearer shares were up 15 to finish at 3,525.

Banks were hesitant. Union Bank of Switzerland was down 40 to 6,000 while Swiss Volksbank gained 15 points to finish at 2,735.

Insurance companies gained ground, led by Zürich bearer shares, up 250 to 8,725.

Industrials were irregular, with Alusisse bearer shares falling 30 points to 515 and Sulzer nominals gaining 50 to 2,850.

Bond Prices Drift Lower On Jobs Data

By Phillip H. Wiggins
New York Times Service

NEW YORK — Traders took the report of a relatively strong gain in nonfarm employment in the United States as a sign that an easing of monetary policy was not imminent, and this pushed bond prices generally lower at the end of last week.

The key long-term bond, the 7½-

U.S. CREDIT MARKETS

percent issue due in 2016, plunged 1⅛ points Friday, to 101 21/32. This raised the yield on the issue to 7.36 percent, from 7.26 percent at Thursday's close.

H. Robert Heller, a Federal Reserve governor, said that he was comfortable with current monetary policy and that the economy was on track. Martha R. Seger, another governor, said that next year's growth should equal this year's.

Analysts said that both these statements further diminished hopes that there would be an easier Fed policy in the near term.

But Theodore H. Tung, chief economist at National City Bank in Cleveland, said: "If the economy weakens again during the first quarter, the Fed might cut its discount rate at that time."

Gary Ciminero, chief economist at Fleet Financial Group in Providence, Rhode Island, said that the unemployment data were definitely a cause for concern. "Strong job statistics foreordain similar strong announcements coming out later this month, such as stronger industrial production and good personal income growth," Mr. Ciminero said.

On Friday, the federal funds rate, the rate banks charge each other on overnight loans, remained stable at 5⅞ percent, and the discount rate on 90-day bills rose 9 basis points, to 5.44 percent.

U.S. Consumer Rates

Dec. 5

Passbook Savings	5.50 %
Tax Exempt Bonds Bond Buyer 20-Bond Index	6.77 %
Money Market Funds Donoghue's 7-Day Average	5.36 %
Bank Money Market Accounts Bank Rate Monitor Index	5.47 %
Home Mortgage, FHLB average	10.43 %

Source: New York Times.

Treasury Bonds

Dec. 5

Maturity	Close Bid	Close Ask	Yield	Wk-ago yield
31.10.88	100 2/32	100 4/32	6.20	6.20
15.8.89	99 31/32	100 1/32	6.37	6.36
30.9.90	100 19/32	100 21/32	6.56	6.57
11.15.91	99 28/32	99 30/32	6.64	6.67
15.10.93	101 1/32	100 3/32	6.93	6.96
15.5.96	101 1/32	101 3/32	7.10	7.13
15.2.06	116 30/32	117 2/32	7.67	7.70
15.5.16	101 17/32	101 19/32	7.37	7.40

Source: Salomon Inc.

SELECTED U.S.A./O.T.C. QUOTATIONS

	BID	ASK
Bitter Corp.	3½	4
Chiron	23¼	23½
GoodMark Foods	10½	10⅞
MAG Holdings	4¾	5⅜
Spectrodyne	17	17¼

WITH COMPLIMENTS OF CONTINENTAL AMERICAN

These are indicative prices as of Dec. 4, 1986

SAINT LAURENT: *Seeking Loans for Charles of the Ritz Takeover*

(Continued from first finance page)
cility fee of 6¼ basis points for the first five years and 7½ basis points in the final three years. Drawings will be at a margin of 12½ basis points over Libor for the first five years then rising to 15 basis points.

The market for French paper is apparently robust. Aerospatiale, the state-owned aeronautics company, started out seeking a credit line of $250 million and drew commitments totaling $695 million. The company used that to increase the size of the facility to $400 million and the original lead managers saw their initial commitments reduced by 40 percent.

Reliance Premium Credit Corp., a unit of Reliance insurance, is seeking a $150-million, five-year credit that will be used to back the sale of short-term Euronotes.

Reliance Premium is a special purpose company established to acquire loans extended by other Reliance units to finance the purchase of insurance policies. The loan purchases will secure the Eurocredit and if there are any defaults the Reliance unit will repurchase up to 5.5 percent of these receivables.

The repurchase obligation is covered by a letter of credit issued by the New York branch of Fuji Bank.

Underwriters will be paid an annual facility fee of 3/16 percent and drawings on the credit will cost ¼ point over Libor. As Reliance's parent is currently increasing its hostile investment in Mercury Securities, owner of S.G. Warburg, it is worth noting that National Westminster is managing the Reliance credit facility along with Manufacturers Hanover Trust and Dai-Ichi Kangyo Bank.

ACI International, an Australian conglomerate, is seeking a $200-million, seven-year note-issuance facility. It will pay an annual facility fee of 7½ basis points and drawings on the credit will range from 12½ to 22½ basis points, depending on how much is actually used.

Northeast Savings & Loan is seeking $100 million for five years, bringing to the bank market a formula up to now seen only in the floating-rate note sector of the Eurobond market. The loan will be secured by U.S. government agency securities. However, the amount of collateral — covering 125 percent of the value of the loan — will be less than the 150 percent or more that is normally required to get a triple-A rating for a Eurobond.

Interest on the loan will be set at 30 basis points over Libor and front-end fees will total 15 basis points.

The Bank of Greece entered the market for a £100-million credit, double its initial target. Interest on the eight-year loan is to be set at ⅜ point over the interbank rate and front-end fees will total ¼ percent.

The Greeks will sell lenders a one-year option to convert the loan into dollars.

NASDAQ National Market

OTC Consolidated trading for week ended Friday. Dec. 5

			Sales in 100s	High	Low	Close	Net Ch'ge
A							
AC Tel			129	4¼	3¾	4¼	— ⅜
ADC s			2278	21	19¼	20¾	+1¼
AEC	.32	3.4	10	10¼	9½	9½	— ¾
AEL			799	11¾	10⅝	11¼	+ ¼
AEP			709	7	6½	6¾	
AIFS			5	8½	8½	8½	
AIM Tel			255	4½	4⅛	4⅜	
ALC Cm			608	3¾	3	3⅛	— ⅝
ARC Inl			395	3¾	3	3⅞	— ⅝
ASK			12786	12⅝	11	12½	+ ¾
AST			9698	15⅝	12	14⅜	+1¾
AT&E			5225	14⅞	11¼	13	—1¾
ATE	6.50c		5	6⅞	6⅞	6⅞	
ATI			1217	7⅜	6⅝	7⅜	+ ⅜
AW A			199	3	2¾	3	
AarnRt	.05e	.3	2694	15⅞	15¼	15¾	+ ½
Abrams	.24	2.9	6x	8¼	7½	8¼	+ ½
AcuRay	.28	1.3	3810	22⅞	19	22⅝	+3⅝
Acelo	.14r	.8	578	17½	16¾	17⅛	+ ⅛

			Sales in 100s	High	Low	Close	Net Ch'ge
ArowB s	.96	2.7	24	35½	35½	35½	+1
Artel			870	2¾	2½	2¾	+ ¼
Asbestc			2874	19½	13½	17	+3
Ashton			21733	45⅝	42¼	42¾	—3
AspenR			110	2⅝	2⅛	2⅛	— ⅛
AsdBnc	.48	2.4	71	19¾	18¼	19¾	+1½
ACmA s			828	24¾	24	24¾	+ ¾
ACmB s			2328	24½	23	23⅞	+ ⅞
AssdCo	.10e	1.4	1	7¼	7¼	7¼	+ ¼
AsdHst	.12	1.2	639	9⅝	9⅛	9⅝	+ ⅛
Aircoa	.23e	2.7	202	9¼	8	8⅝	— ⅜
Astec			600	12½	11½	12	— ½
AstroM			155	8¾	7¾	7¾	—1¼
Astrcm			79	2½	2¼	2⅜	+ ⅛
Astron s	.10	1.2	52	9	8	8½	— ¼
Astrosy			3452	10⅝	8¾	9⅞	+1⅛
Atcor	.48	3.5	4396	13⅞	12¼	13¾	+1¼
Athey s			411	10¾	9⅝	10	+ ⅛
AticoF	.20	1.2	171	17¼	15¾	16¼	+1
Atkinsn	.84	5.7	332	15	14½	14¾	+ ¼
AtlAm s	.24	2.2	654	11¼	10⅝	11⅛	
AtlnBcp			102	15½	14½	15	—1
AtlnFd			128	16⅜	16⅜	16½	— ⅛
AtlFSv			92	10½	9¾	10	— ⅛
AtlFin	.20e	1.8	1559	11¼	10⅞	11⅛	+ ⅛
AtlF pf	1.05	8.8	253	12¼	11⅛	11⅞	— ⅜
AtlPrm			110	7¾	7½	7¾	
AtlRes			4025	28¼	26¼	26¼	—1½
AtlSeAr			2637	10⅞	10⅜	10½	— ¼
Austron			42	2⅜	2½	2¾	
AtwdOc			213	12¼	12⅛	12¼	+ ⅛
AutTrT			328	4	3⅝	4	+ ⅜
Autoclv	.16	2.8	452	6¾	5½	5¾	—1
Autodsk			3565	39¾	38¼	38¼	—1½
Autodie			68	21¾	21¼	21½	— ¼
AutoSy			230	6¼	5¼	5¾	— ½
Autmtx			2380	1⅞	⅞	⅞	— ¼
AutoCp			30	6½	6	6	
Auxton			1839	12⅝	12¼	12⅝	— ⅛
AvntGr			245	4¾	4½	4½	

			Sales in 100s	High	Low	Close	Net Ch'ge
Mossbk			654	17	16¼	16⅝	+ ⅛
Mosstor			4623	3⅝	3⅛	3⅛	— ½
MatrxS	.30	.9	255	34½	33	34½	+1½
Mavrck			244	1⅜	1⅛	1⅛	— ¼
Maxco			701	2⅝	2⅜	2⅜	— ⅛
Maxcre			13174	17½	15⅝	17⅛	+1¼
Maxtr s			20143	20½	17⅝	20⅜	+1⅜
Maxwel			661	14	13¼	13⅝	+ ⅜
MayPt			618	2⅝	2⅛	2⅛	— ⅞
MaySu s	.04	.2	420	20	18¼	18½	—1½
MaynOl			1023	4½	4⅜	4½	+ ⅛
MaysJ			8	16	16	16	— ½
McCrm	.88	2.1	2768	43⅛	42⅝	42¾	
McFarl			341	10⅝	10⅜	10⅝	— ⅛
McGill	1.00	3.1	43	32½	31½	32¼	+1½
McGrth			243	10⅝	9¾	10¼	— ⅜
MechTc			73	8⅝	8½	8½	— ⅜
Mechtr			236	8	6¾	8	+ ¾
Medast	.48	2.7	691	18¼	17⅝	18	+ ¼
Medar			1741	8¼	7¼	7½	— ¾

			Sales in 100s	High	Low	Close	Net Ch'ge
NestS pf	2.25	7.4	225	30¾	29½	30¾	+ ⅜
NoAir			534	6⅝	6	6⅛	— ⅜
NoTrst s	.92	2.3	796	41¼	38½	40½	+1¾
NoSdeSv			1645	17	15¾	16⅛	— ⅜
Nthvw			198	12	10½	12	+ ½
NwNG	1.04	4.7	1277	24⅛	23	23⅛	— ⅜
NTelp s			72	5½	5	5	
NwNLf	.86	2.6	1296	32¾	31⅝	32⅝	+1⅛
NWPS	2.40	6.4	380	38⅛	37⅝	37¾	— ¼
Norwsc	.16	3.1	308x	5½	5⅛	5⅛	— ¼
NorwSv			3122	11⅞	10⅝	11½	+ ½
NovaPh			4048	12⅝	12⅛	12½	+ ¼
NvP wt88			168	16⅝	15½	15⅝	— ¼
NvP wt89			455	7⅞	7	7½	+ ¼
Novmtx			608	8⅞	7⅝	8⅞	+ ⅜
Navar	.02	.2	171	8½	7¾	8½	+ ¾
Novell			2315	25⅝	24⅝	25	— ⅜

(Continued on next page)

American Exchange Options

Figures as of close of trading Friday. Dec. 5

Wall Street Review

AMEX Most Actives

	Vol.	High	Low	Last	Chg.
Husky g	54299	8⅛	6¾	8	+1¼
Wickes	36646	4	3⅝	3⅝	— ⅛
BAT	18450	6⅞	6⅝	6⅞	+ ⅛
AM Intl	18014	7¼	6⅛	6¾	+ ⅜
WangB	16625	13½	12⅝	13¼	+1
Hasbr s	14199	24¾	21¼	22⅝	—1¼
Amdahl	12925	23½	21¼	23½	+1½
LorTel n	11863	19¼	17⅛	18¾	+ ½
HmeGp	9429	21⅝	19¼	21¼	+2
WDigitl	8716	20	18¼	19⅝	+ ¼
TexAir	8458	38¼	36½	37½	
NYTme s	8377	37⅝	34⅝	37⅝	+1
HmeSh s	7793	40⅝	36½	38¼	—1⅝
ACI Hld	7745	14½	14¼	14½	+ ⅛
ICH s	6973	22	21	21⅞	
LeePh s	6637	14	11⅛	13¼	+1
SterlSft	6323	13½	11⅞	13	— ⅛
EchoB g	5413	23⅝	21⅞	22	— ⅝
ICH pf	5480	24¼	22⅝	24	+ ⅜
HrnHar	4800	15¼	13¼	14¾	+ ⅜
FAusP n	4634	8⅞	8⅝	8⅞	
ForstL s	4240	22½	19¾	21½	+1⅝
TIE	4217	3½	3⅛	3¼	— ⅛
InfThr	4137	1¼	1	1	— ¼
Alphaln	4131	8¾	8	8⅝	— ⅛

NYSE Most Actives

	Vol.	High	Low	Last	Chg.
CocCE n	182430	15⅝	14½	14¾	— ⅜
ChesPn	170794	72¼	65⅝	71⅞	+6⅜
AT&T	158508	27⅝	26¾	27⅜	+ ¼
IBM	86542	130⅝	125¼	126⅝	— ⅛
GenEl	86163	88¾	81½	86½	+4¾
OhioEd	78830	20½	19⅝	20¼	+ ⅛
OwenC n	76813	13	10¼	12⅞	+2⅝
USX	76497	22⅝	20½	21⅛	
GMot	75046	73⅛	69¾	71	—1⅝
BaxtTr	73139	20⅜	18¼	20	+1½
OcciPet	70240	28⅝	27⅝	27⅞	+ ¼
Gillet s	67367	56	47½	51⅜	+8
CocaCl s	67318	39	35⅝	38⅛	+1⅝
AmExp	58126	62	56⅝	60¾	+3⅝
WmC s	57326	24⅛	21⅝	23¾	+1⅜
Exxon	55971	70½	68	69¾	
DiamS	53140	15⅝	13¼	14⅝	+1⅛
GM E	52712	30	26⅝	29⅝	—2¼
TexUtil	50652	33⅝	31⅜	33	+1¼
Xerox	49994	62½	58⅜	61⅞	+3⅛
EKodk	49073	69½	66⅝	66¾	—1⅛
NEngE s	47943	31⅞	30⅛	30½	+ ⅜
DowCh	47864	61¼	58	61	+2
Anheu s	46967	27⅝	25⅝	27½	+ ⅜
Compaq	46508	21	17½	20¼	+1⅝

AMEX Diaries

	This Wk	Last Wk
Advanced	344	352
Declined	418	384
Unchanged	165	180
Total Issues	927	916
New Highs	37	25
New Lows	67	54

NYSE Diaries

	This Wk	Last Wk
Advanced	1114	1088
Declined	828	820
Unchanged	290	290
Total Issues	2232	2198
New Highs	184	100
New Lows	73	5[illegible]

AMEX Sales

	Sales Vol.
Total for week	59,150,000
Week ago	36,270,000
Year ago	53,890,000
Jan 1 to date	2,747,700,000
1985 to date	1,895,110,000
AMERICAN BONDS =	
Total for week	16,220,000
Year ago	16,600,000

NYSE Sales

	Sales Vol.
Total for week	840,970,000
Week ago	550,910,000
Year ago	572,930,000
Two years ago	442,810,000
Jan 1 to date	33,229,576,278
1985 to date	25,375,890,000
1984 to date	21,747,300,000

هكذا من الأصل

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

(Continued)

Chicago Exchange Options

Figures as of close of trading Friday. Dec. 5

Mutual Funds

Figures as of close of trading Friday. Dec. 5

Total volume
r—Not traded. s—No option offered. o—Old.

Z

Zehntel			630	3¾	3½	3½	— ⅛
ZenNtl	.80	3.6	3396	23	22	22½	
Zentec			931	4¼	4	4½	— ⅛
Zeus			29	5½	5	5½	+ ¼
Ziegler	.48b	2.8	130	17¼	16¾	17¼	
ZionUt	1.44	3.4	192	45¼	41¾	41¾	—3
Zitel			299	1⅝	1⅜	1½	
Ziyad			2837	3½	3⅛	3½	+ ⅛
Zondvn		.1	1939	28	26¾	27½	+ ⅜
Zycad			2422	4⅝	4⅛	4⅝	+ ⅛
Zygo			28	6⅞	6½	6½	
Zymos			661	1¼	1⅛	1⅛	— ⅛

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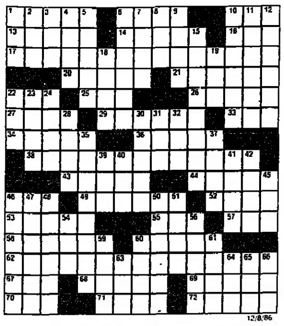

12/8/86

ACROSS

1 Discourage
6 Chicago nine
10 Bad ——, W. German spa
13 Ban
14 Finishes a laundering chore
16 Bad start?
17 Coney Island boardwalk attraction
20 Strained food
21 Salinger or Cardin
22 Ripen
25 Houston or Rayburn
26 Bellboys
27 Kind of dunk
29 Greek poet
33 N.Y. summer time
34 First of the Minor Prophets
36 Depart
38 Sign seen at 17 Across
43 Band
44 Flow: Comb. form
46 Kind of sack
49 Teeter-totter
52 Realtor's "Eureka!"
53 Afflicted, to Cowper
55 Friend of David
57 Scan
58 Subway customers
60 Provides nourishment
62 Second line of sign at 17 Across
67 Port. monetary unit
68 Bailey or Buck
69 Sea birds
70 Soak flax
71 Writer Bombeck
72 Depressions

DOWN

1 Parts of dols.
2 Exclamation of triumph
3 African tribesman
4 Circuit
5 Dream supplier
6 The movies
7 Prod
8 Marsh
9 Ape some turtles
10 Come out
11 Spoiled
12 Foxiest
15 Type of sweater or shirt
18 Popular accts.
19 Meadow
22 Can or tray preceder
23 Shine
24 Facilitate
28 Pith
30 Falls heavily
31 Vim, vigor or verve
32 Holbrook or Linden
35 Runway at Kennedy
37 Corn units
39 Curly friend in foolery
40 Line nudger
41 Nursery-rhyme residence
42 Slippery
45 Soft drink
46 More lively
47 Melodic
48 Subtract
50 Space between a leaf's veins
51 Sob
54 Sargasso, e.g.
56 Took it very easy
59 "Peter Pan" pirate
60 Shape
61 Withered
63 Feather's companion
64 Rutherford or Sothern
65 Coterie
66 Curve or letter

DENNIS THE MENACE

"CHRISTMAS IS STILL SO FAR AWAY. I WISH WE COULD WAIT A LITTLE FASTER."

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

JARAH

MYKUR

HACCYT

RODIAH

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: THEIR "◯◯◯" ◯◯◯

(Answers tomorrow)

Friday's | Jumbles: TULLE QUASH GUIDED PUDDLE
Answer: What happened after he bought a new pair of suspenders?—HE WAS HELD UP

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Algarve	17	63	14	57	o
Amsterdam	5	41	0	32	cl
Athens	17	63	7	45	fr
Barcelona	13	55	6	43	cl
Belgrade	0	32	-2	28	fr
Berlin	1	34	0	32	o
Brussels	6	43	0	32	cl
Bucharest	—	—	—	—	na
Budapest	-1	30	-2	28	fo
Copenhagen	8	46	0	32	fr
Costa Del Sol	18	64	11	52	o
Dublin	10	50	9	48	r
Edinburgh	10	50	5	41	o
Florence	10	50	6	43	r
Frankfurt	6	43	5	41	r
Geneva	8	46	4	39	o
Helsinki	-5	23	-7	19	fr
Las Palmas	24	75	16	61	fr
Lisbon	12	54	9	48	o
London	8	46	1	34	o
Madrid	10	50	3	37	cl
Milan	6	43	3	37	o
Moscow	0	32	-2	28	sw
Munich	9	48	3	37	o
Nice	13	55	8	46	o
Oslo	0	32	-3	37	o
Paris	9	48	3	37	o
Prague	6	43	4	39	o
Reykjavik	2	36	2	36	sh
Rome	14	57	3	37	fr
Stockholm	-3	27	-7	19	cl
Strasbourg	8	46	5	41	cl
Venice	5	41	1	34	cl
Vienna	0	32	-2	28	o
Warsaw	2	36	2	36	o
Zurich	6	43	3	37	o
MIDDLE EAST					
Ankara	11	52	8	46	fr
Beirut	—	—	—	—	na
Cairo	22	72	7	45	fr
Damascus	16	61	-2	28	fr
Istanbul	13	55	4	39	fr
Jerusalem	15	59	5	41	fr
Tel Aviv	22	72	4	39	fr
OCEANIA					
Auckland	—	—	—	—	na
Sydney	26	79	18	64	r

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	32	90	22	72	cl
Beijing	6	43	-3	27	fr
Hong Kong	21	70	16	61	o
Manila	35	95	24	75	cl
New Delhi	20	68	10	50	o
Seoul	4	39	-1	30	fr
Shanghai	11	52	1	34	cl
Singapore	32	90	24	75	o
Taipei	19	66	13	55	r
Tokyo	18	64	6	43	fr
AFRICA					
Algiers	18	64	6	43	cl
Cape Town	—	—	—	—	na
Casablanca	21	70	13	55	cl
Harare	—	—	—	—	na
Lagos	31	88	22	72	cl
Nairobi	22	72	14	57	r
Tunis	16	61	8	46	fr
LATIN AMERICA					
Buenos Aires	13	55	27	81	fr
Caracas	—	—	—	—	na
Lima	31	88	17	63	cl
Mexico City	21	70	8	46	fr
Rio de Janeiro	29	84	22	72	cl
NORTH AMERICA					
Anchorage	4	39	-2	28	sw
Atlanta	17	63	1	34	fr
Boston	4	39	-3	27	pc
Chicago	3	37	1	34	r
Denver	-2	28	-1	30	sw
Detroit	3	37	-2	28	sw
Honolulu	28	82	16	61	fr
Houston	20	68	13	55	sh
Los Angeles	20	68	9	48	fr
Miami	28	82	22	72	cl
Minneapolis	-3	27	-11	12	pc
Montreal	0	32	-9	16	cl
Nassau	25	77	21	70	sh
New York	5	41	0	32	cl
San Francisco	15	59	9	48	fr
Seattle	6	43	0	32	cl
Toronto	1	34	-4	25	fr
Washington	9	48	1	34	fr

cl-cloudy; fo-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sw-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Heavy. FRANKFURT: Overcast. Temp. 8—6 (46—43). LONDON: Rain. Temp. 10—7 (50—45). MADRID: Cloudy. Temp. 11—4 (52—39). NEW YORK: Partly cloudy. Temp. 3—1 (37—34). PARIS: Overcast. Temp. 13—8 (55—46). ROME: Cloudy. Temp. 12—6 (54—43). TEL AVIV: Na. ZURICH: Overcast. Temp. 7—4 (45—39). BANGKOK: Showers. Temp. 31—24 (88—75). HONG KONG: Cloudy. Temp. 18—16 (64—61). MANILA: Fair. Temp. 33—22 (91—72). SEOUL: Foggy. Temp. 3—-4 (37—25). SINGAPORE: Thunderstorms. Temp. 32—25 (90—77). TOKYO: Fair. Temp. 17—7 (63—45).

SPORTS

Stephen Holland/The Associated Press

HOPEFULS — Kookaburra III, top, trailed for six legs before edging stablemate Kookaburra II in an America's Cup elimination-series race on Sunday. The potential defenders were pared to four by the withdrawal of South Australia (5 victories, 19 losses). Said syndicate sailing director James Hardy: "We are not competitive."

Giants Intercept Redskins to Win, 24-14

The Associated Press

WASHINGTON — Phil Simms passed for three touchdowns Sunday and the New York defense intercepted Jay Schroeder six times as the Giants beat the Washington Redskins, 24-14, in a National Conference East showdown in the National Football League.

The Giants' seventh straight victory made them 12-2 and put them a game ahead of the Redskins. The Giants haven't won a division or a conference championship since 1963, but now need just one victory or a loss by the Redskins in the final two games of the season to take the NFC East title.

For the second straight week, Simms was the architect, completing 15-of-29 passes for 265 yards, with touchdowns of nine yards to Mark Bavaro and seven yards to Bobby Johnson in the second quarter and of 16 yards to Phil McConkey in the third quarter. Bavaro finished the game with five catches for 111 yards.

Linebacker Lawrence Taylor, who had three of the sacks, and Leonard Marshall, who had one, continually pressured Schroeder, often flushing the Redskin quarterback out of the pocket.

The six interceptions were four more than Schroeder had thrown in any of his 19 previous NFL games, in which the Redskins were 16-3.

The biggest interception was by linebacker Harry Carson with four minutes left in third quarter. It came one play after Raul Allegre's 21-yard field goal had given New York a 17-7 lead. Two plays later, Simms's touchdown pass to McConkey gave New York a big lead.

Early in the fourth quarter, Marshall intercepted a pass tipped by George Martin, ending Washington's only other meaningful threat.

NFL ROUNDUP

Chiefs 37, Broncos 10: In Kansas City, Missouri, Todd Blackledge threw two touchdown passes and the Kansas City defense continued its four-year torment of John Elway with four interceptions.

In seven games against the Chiefs, Elway has thrown for only three touchdowns and had 16 passes intercepted. Safety Lloyd Burruss capped this game when he intercepted a pass by Gary Kubiak and returned it 72 yards for a touchdown with 1:38 left.

Bengals 31, Patriots 7: In Foxboro, Massachusetts, Cincinnati gained a club record 573 yards, with James Brooks rushing for 163, and the Bengals' young defense shut down the NFL's highest scoring team while denying New England a chance to clinch a playoff berth.

Boomer Esiason passed for 284 yards and a 23-yard touchdown to Eddie Brown and Stanley Wilson ran for 120 yards and a 58-yard touchdown as the Bengals routed a defense that had been ranked fourth in the NFL. Brooks also gained 101 yards on six receptions and scored on a 56-yard run that made the score 31-7 with 5:29 left. At halftime, the Bengals led by 7-0.

Bears 48, Buccaneers 14: In Chicago, Doug Flutie made a spectacular bid to become Chicago's starting quarterback and Mike Tomczak held his own during the rout of Tampa Bay.

Flutie entered the game in the second quarter and ran for one touchdown and passed for another. Tomczak also ran for one and passed for another.

Flutie's first NFL completion was a 52-yard pass to Willie Gault. On the next play he passed for 27 yards and a touchdown to Walter Payton with 20 seconds left in the first half.

Before his first completion, Flutie ran four yards for a touchdown. Tomczak scored from eight yards in the first period and threw an eight-yard touchdown pass to Gault in the third quarter.

Payton got his 105th touchdown rushing, which put him one behind the record held by Jim Brown.

Miami 31, New Orleans 27: In New Orleans, Dan Marino passed for three touchdowns the first half and Miami survived a scoreless second half to keep its slim playoff hopes alive.

But the Dolphins had to stop a Saint drive with 41 seconds left, after New Orleans got a first-and-goal at the Miami six-yard line. That ended the Saints' chances for having their first winning season in the 20 years of the franchise.

Browns 21, Bills 17: In Orchard Park, New York, Kevin Mack ran for two touchdowns for Cleveland in the first half before leaving the game against Buffalo with a shoulder injury.

Mack, who had rushed for more than 100 yards in his two previous games, scored both times on one-yard runs before he was injured in the second half. Jimmy Teal's four-yard touchdown catch, his first in the NFL, made the score close with a minute to play.

In the battle between former teammates at the University of Miami, Jim Kelly was 20-of-39 passing for 315 yards for the Bills, while Bernie Kosar was 18-of-33 for 240 yards for the Browns. Neither was intercepted.

Colts 28, Falcons 23: In Atlanta, Eugene Daniel returned a blocked punt 13 yards for a touchdown with 20 seconds to play as Indianapolis won it first game this season. It was Ron Meyer's debut as coach of the Colts, following the firing of Rod Dowhower last Monday.

Vikings 32, Packers 6: In Green Bay, Wisconsin, Darrin Nelson's 12-yard touchdown run and Tommy Kramer's 7-yard scoring pass to Anthony Carter, within a 74-second span of the first quarter after successive Green Bay punting miscues, got Minnesota off to a good start.

The first touchdown came after Ike Holt blocked a punt and Rufus Bess recovered at the Green Bay 12. The next time, a high snap from center gave the Vikings the ball on the Green Bay 7. In the third quarter, Alfred Anderson ran eight yards for a touchdown after the Packers' Gerry Ellis fumbled at his 18.

Steelers 27, Lions 17: In Pittsburgh, Louis Lipps, who had only one touchdown catch this season, had two and a 48-yard reception that set up a third score against Detroit.

Cardinals 10, Eagles 10: In Philadelphia, Eric Schubert failed on two field goals kicks for St. Louis and Paul McFadden missed on one for Philadelphia in overtime.

Schubert's second overtime try sailed wide right from 37 yards with five seconds left. At 4:05 into overtime, his 40-yard attempt was blocked by defensive end Reggie White, then with 1:32 left McFadden was wide left from 43 yards.

The Cardinals had tied the score with 2:39 left in regulation on Neil Lomax's 48-yard touchdown pass to wide receiver Roy Green.

PEANUTS

BLONDIE

BEETLE BAILEY

ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

BOOKS

BACKSTORY: Interviews With Screenwriters of Hollywood's Golden Age

By Pat McGilligan. Illustrated. 382 pages. $27.50. University of California Press, 2120 Berkeley Way, Berkeley, Calif. 94720.

Reviewed by Michiko Kakutani

IN the days of silent pictures, screenwriters did not exist; instead, an assorted gaggle of gag-writers, continuity writers, adaptors and titlists helped get pictures on the screen. It was only after the introduction of sound in 1926 that Hollywood began importing "talk experts" from the East. In the late 1920s, writers of every sort — novelists, playwrights, journalists, poets, copywriters, press agents — began making their way out west.

Though the pay frequently was excellent, they found they held little clout in a community dominated by stars, directors and producers.

"Scenarists were banished from the sets of the movies they had written," writes Pat McGilligan in the introduction to his new book, "Backstory: Interviews With Screenwriters of Hollywood's Golden Age."

"Impersonal or hackneyed genre assignments were doled out as a form of punishment. Unbeknownst to one another, writers worked on multiple or alternative versions of the same script. Credits were withheld out of pique, jealousy, or bizarre ulterior motives. Credits were summarily awarded to in-laws or mistresses. Marathon working hours were requisite. Writers punched in on a time clock at some studios, as if they were assembling gizmos on a conveyor belt."

Certainly many writers, such as the likes of Faulkner and Fitzgerald, could not stand the constraints, and they left (or died), disillusioned and disgusted. Others, however, managed to turn screenwriting into a substantial career — sometimes taking pleasure in the work itself, sometimes using it to finance other projects. It is their story that Pat McGilligan proposes to tell in this volume.

Included are interviews with Charles Bennett, who wrote or co-wrote seven early Hitchcock films (such as "The Man Who Knew Too Much," "The Thirty-Nine Steps," "The Secret Agent" and "Sabotage"); the novelist W.R. Burnett ("Little Caesar," "High Sierra," "Yellow Sky," "The Asphalt Jungle"); Philip Dunne, who adapted such works as "The Ghost and Mrs. Muir" and "How Green Was My Valley"; and Norman Krasna, who worked on "Hands Across the Table" and "Bachelor Mother."

According to the author, this account "is not meant to be a scholarly or historical work, a purely factual study, or even a complete representation of the profession," and the volume reads like an eclectic, almost random collection of interviews determined largely by the availability of the subjects. Such well-known writers as Nunnally Johnson, Billy Wilder and Joseph Mankiewicz are missing, as are less famous but equally respected figures such as Ernest Lehman, Charles Lederer and Howard Koch. But while little effort seems to have been made to determine the veracity of various stories — two thoroughly irreconcilable versions of the writing of "Casablanca" appear — "Backstory" stands as a lively oral history, both charming and informal.

One of the things that strikes the reader is just how productive writers employed in the studio factories used to be. The husband-and-wife team Frances Goodrich and Albert Hackett recall finishing "The Thin Man" in three weeks (it was then reportedly shot in 12 days); and Julius J. Epstein — who collaborated with his brother Philip on such adaptations as "The Man Who Came to Dinner" and "Arsenic and Old Lace" — remembers having at least three pictures made a year by Warner Brothers. And that, he adds, did not even count "the pictures that weren't made."

Although there are discussions of writing technique in this volume, these passages are not nearly as focused or detailed as those in John Brady's recent book "The Craft of the Screenwriter." What the writers here do talk about is circumventing the censors — in "Ten North Frederick," an abortion is turned into a miscarriage; in "Arsenic and Old Lace," Cary Grant's line "Darling, I'm a bastard!" becomes "Darling, I'm the son of a sea-cook!" — and tailoring scripts to suit certain stars.

"The difference was entirely in the dialogue," says Lenore Coffee, explaining how she would alter a story for Joan Crawford or Bette Davis. "Bette spits out her words, Joan doesn't. I gave Bette short sentences, short speeches." Charles Bennett recalls having to simplify conversations for Gary Cooper.

In listening to these writers reminisce about the paths that brought them to Hollywood — and the adventures they had there — we also become privy to a lot of amusing stories. We hear how Philip Dunne wrote the screenplay to "The Count of Monte Cristo" without even reading the novel, and how he worked up a script for "Demetrius and the Gladiators" from sets, costumes and characters left over from "The Robe."

In themselves, such anecdotes may seem trivial, but as stitched together by McGilligan, they provide a montage-like picture of Hollywood under the studio system.

Michiko Kakutani is on the staff of The New York Times.

Solution to Friday's Puzzle

MAEANDER HEAPO
APPRAISE OVIEDO
HESITATE TENNIS
ERO SLANTER ELA
RYME TAILGATER
REJECT RUR
TOSAVE TUTELAGE
ORT ANG SHE NER
OVERNEAT ENATES
AYE BASEST
LIMESTONE EDNA
ITS CENTRAL AIR
MAHLER RELIANCE
ALIENS UNDERSEA
SPATE MEANDERS

12/8/86

BRIDGE

By Alan Truscott

OF the numerous sins committed by bridge players at the card table, only four are deadly: pride, anger, sloth and gluttony, and calling a case of gluttony sin or pecadillo depends largely on the form of scoring.

A player who falls on his face by failing in an easy contract when hungry for an overtrick is certainly sinful at rubber bridge or team scoring. But he may get some sympathy in the post mortem if the scoring is by match-points, when the overtrick is of great importance.

It is hard to condemn South's gluttony on the diagramed deal from a regional men's pair championship, for he fell victim to an ingenious trap. His waiting response of one diamond, the only convenient action available, led to three no-trump and caused West to lead the spade nine rather than a diamond.

When dummy played low, East rejected the normal play of the eight and contributed the jack, the beginning of a smoke screen. South won with the queen and led the club jack. This was covered with the king and ace, and he could now count nine heart sure tricks. As it happened the even heart split was due to give him an overtrick.

But South, hungry for match-point-rich overtricks, saw another opportunity. He led a low spade from the dummy, and nodded happily when South, following through on his cunning plan, contributed the king, losing to the ace.

South could now have made 12 tricks, for a top score, by playing all his winners. But he naturally thought that there were no more spades on his right and that the eight was on his left. Feeling confident, he finessed the spade seven in dummy. He was considerably deflated to find that he had lost to the eight and had gone done down in three no-trump. The defenders happily took four diamond tricks. North had to decide whether to blame the disaster on gluttony. After some thought he blamed it on East.

NORTH (D)
♠ 10 7 5 2
♥ A Q 6 4
♦ 10 3
♣ A Q 9

WEST
♠ 9 6 3
♥ J 9 3
♦ A K 5 4
♣ K 7 5

EAST
♠ K J 8
♥ 10 8 5
♦ Q 8 7 2
♣ 6 4 3

SOUTH
♠ A Q 4
♥ K 7 2
♦ J 9 6
♣ J 10 8 2

Both sides were vulnerable. The bidding:

North	East	South	West
1 ♣	Pass	1 ♦	Pass
1 ♥	Pass	2 N.T.	Pass
3 N.T.	Pass	Pass	Pass

West led the the spade nine.

SPORTS

Testaverde of Miami Is Heisman Winner

The Associated Press

NEW YORK — Vinny Testaverde, the University of Miami's record-setting quarterback, won the 52d annual Heisman Trophy Saturday as the outstanding college football player in the country.

The 6-foot-5 (1.95-meter) senior from Elmont, New York, was a runaway winner over running back Paul Palmer of Temple. Quarterback Jim Harbaugh of Michigan was third.

"Dad, we dreamed it together, we did it together, and you can say we won it together," Testaverde said to his father, who was in the audience when the award was announced. Testaverde's father, who said he once dreamed of winning the Heisman himself, cried openly as his son was awarded the trophy.

Testaverde, who led the country in passing efficiency by completing 63.4 percent of his passes — 175 of 276 — for 2,557 yards and a nation-leading 26 touchdowns with only nine interceptions, received 678 first-place votes and 2,213 points.

Palmer got 28 first-place votes and 672 points while Harbaugh had 25 first-place ballots and 458 points. Linebacker Brian Bosworth of Oklahoma finished fourth.

Ballots are sent to 1,050 members of the media across the country and the votes are tabulated on a 3-2-1 basis. Testaverde carried each of the nation's six sections into which the voting is divided.

Testaverde completed 413 of 674 career passes — 61.3 percent — for 6,058 yards. In his two seasons as a starter, he was 391 of 628 for 5,795 yards and 47 TDs.

As a freshman in 1982, he appeared in two games, completing five of 12 passes for 79 yards and one touchdown.

He sat out the 1983 season as a redshirt and saw action in six games as a sophomore in 1984, completing 17 of 34 passes for 184 yards. Last year, he completed 216 of 352 passes for 3,238 yards and 21 touchdowns.

Testaverde considered transferring after playing behind Bernie Kosar in 1984, but Kosar, who graduated well ahead of his original class, bypassed his final two collegiate seasons to turn professional, creating an opening for Testaverde.

He erased Kosar's marks and set Miami career records of 5,738 yards in total offense, 6,058 passing yards and 48 touchdown passes (he had more passing yards than total offense because of sacks).

With Testaverde as the starting quarterback, the Hurricanes are 20-2 overall. They went 11-0 this season, earning the No. 1 national ranking. They will meet runnerup Penn State in the Fiesta Bowl on Jan. 2 for the national championship.

Army 27, Navy 7: Junior quarterback Tory Crawford ran for 94 yards and one touchdown to lead Army past Navy in the 87th meeting between the two service academies, United Press International reported from Philadelphia.

Crawford, who carried the ball 23 times, scored on a 1-yard run in the third quarter as the Cadets scored touchdowns on their first three possession of the half.

Navy leads the series, 41-39-7.

Brigham Young 23, Air Force 3: In Colorado Springs, Lakei Heimuli scored two touchdowns in a 20-point second quarter to lead Brigham Young to victory over Air Force, earning the Cougars a berth in the Dec. 30 Freedom Bowl against UCLA.

Susan Ragan/AP

Vinny Testaverde

SMU Coach, A.D. Resign

The Associated Press

DALLAS — Southern Methodist head football coach Bobby Collins and Athletic Director Bob Hitch resigned Friday following new allegations of recruiting violations in the school's football program.

Asked if the resignations could be interpreted as an admission of guilt regarding possible NCAA rules violations, Hitch said: "You can take it any way you want."

SMU, which has been on NCAA probation five times, is currently on probation through August 1988. The Mustangs, who were barred from bowl games in 1985 and 1986 and from live television in 1986, also lost all their scholarships following the 1985 season and are limited to only 15 in the current recruiting season.

President L. Donald Shields resigned two weeks ago, citing health problems aggravated by new allegations of wrongdoing in the football program. The NCAA could suspend the school's football program for two years if the latest allegations are proved.

In five years at SMU, Collins posted a 43-14-1 record, including a 6-5 mark in 1986. "My plans are to continue coaching," Collins said. "Tough times don't last. Tough people do."

■ **Sanctions for Mississippi**

The National Collegiate Athletic Association on Friday put the University of Mississippi football program on a one-year suspension from post-season play and all television appearances, The Asociated Press reported from Oxford, Mississippi.

The university was also ordered to cut its athletic scholarships by 10 during the period; it will offer 20 rather than the usual 30.

The school said it would not appeal the sanctions, which were imposed for recruiting violations.

Lendl, Becker, Wilander and Edberg Gain Semifinals

By Bob Greene
The Associated Press

NEW YORK — Ivan Lendl and Boris Becker remained on course Saturday for a showdown in the season-ending Masters tennis tournament, with the world's top four players having gained the semifinals.

Lendl, the Czechoslovak who is ranked first in the world, beat Yannick Noah of France, 6-4, 6-4, and Becker, the West German rated No. 2, defeated Mats Wilander of Sweden, 6-3, 3-6, 6-3, as they finished the final round-robin portion of the tournament with 3-0 records.

In Sunday's semifinals, where the matchups were determined by a coin flip, Lendl, the U.S. Open and French Open champion, was to play Wilander. Becker, the Wimbledon champion, was to go against Stefan Edberg of Sweden.

Wilander is ranked No. 3 in the world with Edberg, the Australian Open champion, rated No. 4. Both Swedes were 2-1 in their round-robin matches.

The Masters title will be decided Monday night, with the champion collecting $100,000. Each round-robin victory was worth $20,000; each semifinal winner will receive $40,000.

The players in the semifinals were determined Friday night, when Lendl beat Edberg, 6-3, 6-4; Becker rallied to defeat Henri Leconte of France, 0-6, 6-1, 6-1, and Andres Gomez of Ecuador held off Noah, 7-6 (7-4), 7-6 (7-4). Noah had an outside chance at making the semis until that loss.

Joakim Nystrom of Sweden beat Leconte, 6-4, 6-4, in Saturday's third match.

Nystrom and Gomez were 1-2 in round-robin matches, while Leconte and Noah were 0-3.

Although Becker and Wilander had clinched semifinal berths, their match Saturday determined which would win their four-man group.

In a crowd-pleasing mixture of outstanding tennis and moments of clowning, Lendl handed Noah his third straight loss.

On the opening point of the second set, Noah lofted a high lob that landed just on Lendl's side of the net. As Lendl let it bounce and prepared to hit a smash, Noah, running along the baseline, shouted, "Wait, wait, wait!"

Lendl smashed the ball into the bottom of the net.

On another point, Noah served in slow motion. Lendl hit it back with no pace and Noah, playing as if it was the first time he had touched a tennis racket, took a big windup and netted an easy forehand.

"It was relaxing, that's for sure," Lendl said.

Earlier, Nystrom was the epitome of consistency and Leconte alternately brilliant and erratic.

Nystrom got the only service break of the first set, in the 10th game.

Then, after Leconte broke service in the first game of the second set and built a 4-2 lead, the Swede ran off the last four games of the match.

MASTERS TENNIS

"To me, the $20,000 is not that important," Nystrom said. "For me, I needed to get my confidence back. It's much more important than the money.

"To beat Henri was good because I haven't played very good matches lately."

On Friday night, Becker was almost blasted out of Madison Square Garden in the opening set as everything Leconte tried worked.

"I don't think I can say anything about the first set," Becker said. "There should be no comment."

Leconte, who called the first set "bizarre," was magnificent as he needed only 22 minutes to win it. After that, however, it was all Becker, who raced to a 4-0 lead in the second set and won the first five games in the third.

"He's a very difficult player," Becker said of Leconte. "But in the second set he made a couple of mistakes and I had the momentum and took advantage of it. I started playing tennis and he made a few mistakes."

Lendl, who did not drop a set in the round-robin phase, had no problems dispatching Edberg. The match ended with Edberg double-faulting on the last two points.

"It happens," Lendl said of the double-faults. "It happened to me in Australia in the second set at 5-5 with Edberg, and I lost that set 7-5."

Gomez lost his serve in the third game of the first set against Noah to fall behind, 3-1. But he broke back in the eighth game, then won the tie-breaker.

In the second set, Noah took a 5-2 lead, then became ill from what he later said was a cheeseburger he had eaten earlier in the day.

Gomez won the next three games to pull even at 5, and two games later the two were in their second tie-breaker, which Gomez again won by 7-4.

Paul Burnett/The Associated Press

Yannick Noah, clowning soccer-style against Ivan Lendl.

Wasmeier, Schneider, Hess Take Cup Slaloms

The Associated Press

VAL D'ISERE, France — Markus Wasmeier of West Germany won a World Cup super giant slalom race Saturday after Pirmin Zurbriggen of Switzerland was disqualified for missing a gate.

The same day, Vreni Schneider of Switzerland dominated the field to win a women's giant slalom by

WORLD CUP SKIING

more than two seconds in Waterville Valley, New Hampshire, where on Friday teammate Erika Hess won a slalom race.

Zurbriggen posted the fastest time, 1 minute, 39.13 seconds, as the first racer down the Oreiller-Killy course, which had a drop of 600 meters (1,956 feet).

But he missed the 15th of the 52 gates and, after the race jury had studied video tapes, the victory was awarded to Wasmeier, who clocked 1:40.56.

Robert Erlacher of Italy placed second, in 1:41.65. Marc Girardelli of Luxembourg, the two-time defending overall World Cup champion, took third in 1:41.82.

Zurbriggen retained his lead in the cup standings with 75 points. Wasmeier moved up to second with 62 points, with Peter Müller of Switzerland third at 51.

Zurbriggen, the winner of Friday's downhill, said he "came upon the gate too late and went to the wrong side," adding that "it wasn't a lack of concentration. I know this course. I can draw every detail of it."

Some team officials were upset that he continued the race. International Skiing Federation rules state that a skier should not continue if disqualified by missing a gate.

The U.S. team downhill coach, Theo Nadig of Switzerland, said, "I saw him miss the gate and to me it was obvious. It is against the rules and the jury can take sanctions against him whether he's a superstar or not."

In Waterville Valley, Schneider, the defending World Cup giant slalom champion, turned in her second staggering triumph on the New Hampshire resort's Mount Tecumseh course and won the race there for the third straight year. Last season, she won by 1.73 seconds.

On Saturday, she finished two runs in 2:24.92, 2.18 seconds ahead of teammate and defending World Cup overall champ Maria Walliser, who said "I knew Vreni would win."

Walliser posted an aggregate time of 2:27.10. Josse LaCasse of Canada, who was second to Schneider in the morning, held on for third, the best finish of her career. Her time was 2:27.41.

Christelle Guignard of France, a slalom specialist sidelined by injury last season, provided the biggest surprise by finishing fourth, in 2:27.89. She was 14th after the morning heat but improved with a second run of 1:13.62, just .09 seconds slower than Schneider's.

Hess, a two-time overall champ in her 10th and, she says, final season, finished fifth in 2:28.08 and remained atop the overall standings with 51 points. Schneider has 46.

Mateja Svet of Yugoslavia missed a gate on the morning run and thus a chance to move into the overall lead. Instead, she dropped to third with 36 points.

Also eliminated were 1983 overall champion Tamara McKinney of the United States, 1985 overall winner Michela Figini of Switzerland, 1984 Olympic giant slalom gold medalist Debbie Armstrong of the United States and Michaela Gerg of West Germany, winner of the previous week's season-opening giant slalom at Park City, Utah.

On Friday, Hess again edged out teammate Brigitte Oertli. In third place after the opening run, Hess roared down the wind-blown course to complete the two runs in 1:35.16 seconds. Oertli, the first-run leader and one of the tour's best all-around skiers, although she has yet to win an individual race, finished .45 seconds back.

The victory was Hess's 20th in the slalom, extending her World Cup career record, and her 30th overall. At 24, she has joined Annemarie Moser-Pröll of Austria and Hanni Wenzel of Liechtenstein in the select group of 30-event winners.

Moser-Pröll, a six-time overall champion in the 1970s, retired with 62 victories. Wenzel, twice an overall champion, won 33 times before retiring in 1984.

It was fitting for Hess to win her final Waterville slalom, since two of her toughest defeats came on the course. In 1983, she failed to finish and McKinney won en route to becoming the only U.S. woman to win skiing's most prestigious crown.

Last spring, Austria's Roswitha Steiner came from 10th place to win the season's final race and deprive Hess of her fifth slalom crown.

Thomas Wins WBC Title

By Phil Berger
New York Times Service

LAS VEGAS — Duane Thomas, a 4-1 underdog, won the vacated World Boxing Council super welterweight title Friday night when he stopped John (The Beast) Mugabi at 57 seconds of the third round of a scheduled 12-round bout here.

Mugabi, a 26-year-old Ugandan now living in the United States, dominated the first two rounds and had opened the third by ripping a left hook to Thomas's head.

But Thomas, 27, then scored with a hook to Mugabi's left eye, abruptly turning the fight around. Mugabi staggered, and, as Thomas banged another left hook just below his jaw, Mugabi turned away and retreated to the ropes.

Thomas fired and scored with the left again while Mugabi, against the ropes, had his back to him. Referee Carlos Padilla stepped in to observe Mugabi's condition, and when the fighter did not pivot around to take on Thomas, he waved an end to the bout.

"If you're hurt and turn your back, that's it," Padilla said. "You surrender. There is no standing eight count in Las Vegas. I had no other choice. He should defend himself."

Padilla said that in the ring afterward Mickey Duff, Mugabi's manager, complained that Thomas had thumbed his fighter.

But in the postfight news conference, telecaster Gil Clancy said that replays showed that the punch had landed cleanly.

Thomas's record is 29-1 (with 21 knockouts). Mugabi dropped to 26-2 (26 kayos). It was his second straight loss; he was knocked out in March by Marvelous Marvin Hagler.

■ **Smith vs. Witherspoon**

James (Bonecrusher) Smith will replace Tony Tubbs in Friday's 15-round World Boxing Association heavyweight title fight against champion Tim Witherspoon, The Associated Press reported Saturday from New York.

Tubbs had said he was pulling out of the fight because of an injured left shoulder. Promoter Don King charged that Tubbs was not injured but was withdrawing because he was not satisfied with his $75,000 purse. "Tony Tubbs is history," King said.

Smith is 18-5 with 13 knockouts; Witherspooon is 25-2 (17 kayos). The winner will face World Boxing Council champion Mike Tyson.

Wayne Koder/AP

Duane Thomas, victorious.

SCOREBOARD

Basketball

U.S. College Results

FRIDAY'S RESULTS

EAST

Navy 92, Yale 63

SOUTH

Nev.-Las Vegas 85, Memphis St. 77

FAR WEST

Alaska-Juneau 114, Whitworth 96
Fullerton St. 81, Bakersfield St. 46
Idaho 62, Gonzaga 55
Montana St. 102, E. Washington 79
Oregon St. 91, Cal-Santa Barbara 85
N. Colorado 87, Adams St. 82
Utah St. 100, Grambling 80
Wyoming 56, Idaho St. 57

SATURDAY'S RESULTS

EAST

Boston Col. 64, Fairfield 62
Boston U. 89, Salem St. 60
Cleveland St. 66, Canisius 61
Colby 73, Brandeis 69
Duquesne 65, Rutgers 54
Georgetown 126, St. Leo 51
Harvard 93, New Hampshire 67
Hobart 108, Daemen 101
Illinois 99, Pittsburgh 97
La Salle 82, Army 63
Manhattanville 93, Trinity 70
Michigan St. 77, George Washington 62
NYU 81, RPI 70
Niagara 79, Penn 74
Providence 108, Rhode Island 90
Purdue 88, Connecticut 70
St. John's 102, Wagner 69
Seton Hall 88, Princeton 70
Utica 74, Maine 60
Vermont 88, Middlebury 82
Villanova 80, St. Francis, Pa. 64
West Virginia 86, St. Bonaventure 65
Williams 93, N. Adams St. 91, OT

SOUTH

Clemson 86, Texas Tech 72
Duke 78, Vanderbilt 66
Florida St. 72, Alabama 71
James Madison 70, Virginia Tech 67
Louisiana St. 77, McNeese St. 62
Louisville 98, E. Kentucky 86
Mississippi St. 86, Mississippi Col. 68
North Carolina 122, Miami (Fla.) 77
S. Carolina St. 96, W. Carolina 75
Old Dominion 56, William & Mary 54
VMI 66, Richmond 57

MIDWEST

Akron 67, Kent St. 62
Butler 78, Ball St. 65
Cent. Michigan 80, Wisconsin 66
Creighton 78, Nebraska 66
DePaul 61, Illinois St. 53
Evansville 63, Indiana St. 48
Indiana 71, Kentucky 66
Iowa St. 55, Drake 51
Kansas St. 98, SW Texas 80
Marquette 87, Iona 79
Miami (Ohio) 68, Cincinnati 65
Michigan 123, Ill.-Chicago 88
Missouri 57, SW Missouri 55, OT
Northwestern 80, Ill. Wesleyan 60
Notre Dame 62, Brigham Young 46
Ohio St. 96, Ohio U. 75
South Carolina 74, Loyola (Ill.) 71

SOUTHWEST

Arkansas 105, Kansas 86
Mississippi 72, N. Texas St. 69
Oklahoma 101, Texas-Arlington 76
Sam Houston St. 77, Ark.-Little Rock 71
So. Methodist 79, South Florida 65
Tulsa 84, Baylor 74

FAR WEST

Alaska-Anchorage 83, Hayward St. 81
Boise St. 89, U.S. International 81, OT
Montana 80, Fresno St. 65
Nev.-Reno 81, San Diego 80
New Mexico 82, Texas 61
N. Arizona 86, Air Force 77, OT
Oregon 73, Weber St. 57
Oregon St. 67, Portland 51
San Francisco 65, California 63
Santa Clara 73, Cal-Davis 59
Seattle 84, Seattle Pacific 72
Texas Christian 88, Colorado St. 77
UCLA 95, Pepperdine 82
Utah 68, Arizona 67
Wyoming 55, Colorado 42

TOURNAMENTS

Amana-Hawkeye Classic
First Round
Iowa 95, Delaware 47
Loyola, Calif. 96, Washington St. 89
Championship: Iowa 103, Loyola, Calif. 88
Third place: Delaware 55, Washington St. 50

Aggie Invitational
First Round
Ala.-Birmingham 93, Hawaii Pacific 75
Stanford 74, Columbia 66
Championship: Stanford 99, Ala.-Birm. 80
Third place: Columbia 89, Hawaii Pacific 62

Carrier Classic
First Round
Northeastern 76, Jacksonville 70
Syracuse 73, Oklahoma St. 62
Championship: Syracuse 94, N.E. 74
Third place: Jacksonville 85, Okla. St. 66

Coca Cola Classic
First Round
Georgia Southern 73, Baptist, S.C. 63
Tn.-Chattanooga 76, Tennessee St. 62
Championship: Tn.-Chat. 79, Ga. So. 68
Third place: Tennessee St. 79, Baptist 78

Hamilton College Tip-Off Tournament
First Round
Plattsburgh 75, Utica Tech 74
Hamilton 108, Skidmore 67

Hofstra Tournament
First Round
Hofstra 83, Colgate 73
Manhattan 83, Franklin & Marshall 62
Championship: Hofstra 67, Manhattan 65
Third place: Frank. & Mar. 72, Colgate 71

Investor's Classic
First Round

[illegible]

National Basketball Association Standings

EASTERN CONFERENCE
Atlantic Division

[illegible]

Hockey

National Hockey League Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts	GF	GA
Philadelphia	18	6	2	38	108	62
Pittsburgh	14	9	4	32	108	91
NY Islanders	14	10	2	30	101	87
New Jersey	13	11	2	28	104	117
Washington	9	13	6	24	87	105
NY Rangers	8	12	6	22	104	113

Adams Division

	W	L	T	Pts	GF	GA
Montreal	13	11	4	30	96	91
Quebec	13	12	4	30	103	86
Hartford	13	8	3	29	81	78
Boston	12	11	4	28	93	85
Buffalo	5	18	3	13	82	101

CAMPBELL CONFERENCE

Norris Division

	W	L	T	Pts	GF	GA
Minnesota	11	12	2	24	104	99
St. Louis	10	11	4	24	81	92
Toronto	10	11	4	24	81	86
Detroit	10	13	3	23	74	82
Chicago	7	14	5	19	89	122

Smythe Division

	W	L	T	Pts	GF	GA
Edmonton	16	10	1	33	122	98
Winnipeg	15	9	2	32	98	84
Calgary	15	11	1	31	97	99
Los Angeles	12	14	2	26	117	125
Vancouver	7	17	2	16	86	106

FRIDAY'S RESULTS

Edmonton 0 3 1—4
Pittsburgh 0 1 1—2
Graves (1), Anderson 2 (16), Tikkanen (17); Duguay (3), Young (4). Shots on goal: Edmonton (on Meloche) 10-10-6—26; Pittsburgh (on Moog) 10-7-13—30.

Montreal 2 1 0 0—3
Detroit 0 2 1 0—3
Corson (6), Smith (15), Richer (11); Oates 2 (6), Yzerman (10). Shots on goal: Montreal (on Hanlon) 7-6-4-1—18; Detroit (on Hayward) 7-10-11-0—28.

St. Louis 2 2 3—6
Buffalo 2 1 2—5
Wickenheiser (3), Gilmour (12), Paslawski (7), Dark (1), Federko (5), Cavallini (3); Ruff (2), Krupp (1), Cyr (4), Ruuttu (5), Tucker (4). Shots on goal: St. Louis (on Barrasso, Cloutier) 5-8-6—19; Buffalo (on Wamsley) 14-15-8—37.

N.Y. Rangers 3 2 1—6
Winnipeg 1 0 2—3
Poddubny 3 (14), Greschner (2), McKegney (12), Osbourne (12); Boschman 2 (7), Hawerchuk (17). Shots on goal: N.Y. Rangers (on Reddick) 9-13-3—25; Winnipeg (on Vanbiesbrouck) 13-12-15—40.

N.Y. Islanders 2 1 1—4
Vancouver 0 2 1—3
Flatley (8), Makela 2 (10), Potvin (8); Sandlak (5), Sundstrom (11), Tambellini (5). Shots on goal: N.Y. Islanders (on Caprice) 7-7-14—28; Vancouver (on Smith) 3-16-10—29.

SATURDAY'S RESULTS

Philadelphia 0 0 0—0
Boston 3 0 2—5
Simmer (7), Neely (10), Bourque (8), Middleton (6), Johnston (4). Shots on goal: Philadelphia (on Romford) 13-14-15—42; Boston (on Hextall, Resch) 15-10-7—32.

Montreal 1 0 0—1
Washington 1 2 0—3
Laughlin 2 (9), Murphy (10); Naslund (10). Shots on goal: Montreal (on Mason) 7-11-13—31; Washington (on Hayward) 17-7-4—28.

Minnesota 0 1 1—2
Pittsburgh 0 3 2—5
Chabot 3 (11), Lindstrom (3), Hannan (6); Ciccarelli (27), Roberts (2). Shots on goal: Minnesota (on Meloche) 5-10-12—27; Pittsburgh (on Beaupre) 8-12-8—28.

Detroit 1 1 2—4
Hartford 0 0 1—1
Probert (4), McRae 2 (2), Higgins (4); Murzyn (4). Shots on goal: Detroit (on Liut) 5-4-10—19; Hartford (on Hanlon) 2-15-18—35.

Buffalo 1 0 2—3
New Jersey 1 2 1—4
MacLean 2 (12), Hiemer (6), Verbeek (17); Foligno (7), Housley (7), Cyr (5). Shots on goal: Buffalo (on Chevrier) 11-8-10—29; New Jersey (on Cloutier) 11-12-4—27.

Calgary 2 0 1—3
Quebec 0 1 1—2
Bullard (6), Bradley (4), MacInnis (5); Picard (4), Eagles (4). Shots on goal: Calgary (on Malarchuk) 7-5-11—23; Quebec (on Vernon) 13-6-10—29.

Chicago 1 1 0—2
Los Angeles 1 4 2—7
Erickson 2 (9), Nicholls (9), Galley (5), Wells (6), Playfair (2), Carson (10); Bergevin (2), Savard (13). Shots on goal: Chicago (on Eliot) 4-8-9—21; Los Angeles (on Bannerman) 18-19-9—46.

Soccer

EUROPEAN CHAMPIONSHIP
Group Two Qualifier

Malta 0, Italy 2
Point standings: Sweden 5, Italy 4, Portugal 2, Switzerland 1, Malta 0.

WEST GERMAN FIRST DIVISION

Cologne 3, Werder Bremen 0
Borussia Dortmund 1, Eint. Frankfurt 0
Hamburg 2, Blau-Weiss Berlin 1
Nuremberg 2, Borussia Mönchengladbach 0
Fortuna Dusseldorf 0, Bochum 4
Schalke 2, Bayern Munich 2
Stuttgart 1, Bayer Leverkusen 0
Bayer Uerdingen 3, Waldhof Mannheim 2
Homburg 2, Kaiserslautern 0
Point standings: Hamburg, Bayern Munich 24; Bayer Leverkusen 22; Stuttgart 21; Kaiserslautern, Werder Bremen 20; Borussia Dortmund, Bayer Uerdingen 19; Borussia Monchengladbach, Bochum, Schalke 17; Cologne 16; Waldhof Mannheim, Eintracht Frankfurt 15; Nuremberg 14; Homburg 10; Blau-Weiss Berlin, Fortuna Dusseldorf 8.

ENGLISH FIRST DIVISION

Arsenal 3, Queens Park Rangers 1
Charlton 1, Newcastle 1
Chelsea 0, Wimbledon 4
Coventry 1, Leicester 0
Everton 4, Norwich 0
Nottingham Forest 2, Manchester City 0
Oxford 4, Luton 2
Sheffield Wednesday 2, Aston Villa 1
Watford 2, Liverpool 0
West Ham 3, Southampton 1
Manchester United 3, Tottenham 3
Point standings: Arsenal 37; Nottingham Forest 35; Everton 32; Liverpool 31; West Ham 30; Sheffield, Luton, Coventry, Norwich 29; Tottenham 26; Watford, Wimbledon 25; Oxford, Southampton 24; Queens Park Rangers 19; Newcastle, Charlton, Aston Villa, Manchester United 18; Leicester 17; Chelsea 16; Manchester City 15.

SPANISH FIRST DIVISION

Atletico Madrid 1, Real Madrid 1
Español 1, Valladolid 0
Murcia 2, Athletic Bilbao 0
Las Palmas 2, Sevilla 1
Gijon 2, Sabadell 1
Zaragoza 1, Cadiz 0
Betis 1, Mallorca 0
Real Sociedad 1, Santander 1
Osasuna 0, Barcelona 2
Point standings: Barcelona 24; Real Madrid 21; Español, Atletico de Madrid 20; Athletic de Bilbao 19; Gijon 18; Mallorca, Betis 17; Real Sociedad 16; Zaragoza, Las Palmas, Valladolid 15; Sevilla, Murcia, Cadiz 14; Santander, Osasuna 10; Sabadell 9.

FRENCH FIRST DIVISION

Marseille 2, Brest 2
Bordeaux 3, Lille 0
Monaco 1, Toulouse 0
Nantes 1, Toulon 0
Paris-St. Germain 1, Auxerre 0
Rennes 1, Nice 0
Metz 2, Sochaux 2
Lens 0, Laval 2
Le Havre 2, Racing Club Paris 2
Nancy 1, St. Etienne 0

World Cup Skiing

[illegible]

America's Cup

(At Fremantle, Australia)
CHALLENGER ELIMINATION
(Third-Series Round Robin; 12 Points)

Yacht, Country	W	L	Pts
New Zealand, New Zealand	27	1	126
Stars & Stripes, U.S.	22	6	94
French Kiss, France	17	11	93
America II, U.S.	22	6	80
White Crusader, Britain	18	10	79
USA, U.S.	18	10	79
Canada II, Canada	14	14	67
Italia, Italy	13	15	57
Heart of America, U.S.	8	20	49
Eagle, U.S.	9	19	36
Azzurra, Italy	3	25	11
Challenge France, France	2	26	2

Sunday's Results
New Zealand def. French Kiss, 4:43
USA def. White Crusader, :03
America II def. Italia (withdrew)
Canada II def. Azzurra, 3:59
Stars & Stripes def. Heart of America, 1:32
Eagle def. Challenge France, 3:05

Monday's Races
Heart of America vs. Eagle
New Zealand vs. Italia

[illegible]

Football

U.S. College Results

[illegible]

Transition

BASEBALL
American League

BOSTON—Signed Joe Sambito, pitcher, to a one-year contract.
NEW YORK—Signed Rod Scurry, pitcher, to a one-year contract.
TEXAS—Signed Darrell Porter, catcher, to a one-year contract.

[illegible]

Preston Sturges: The Life of a Free Spirit

By Thomas Quinn Curtiss
International Herald Tribune

IN 1946, Preston Sturges, Oscar-laden and courted by the major Hollywood studios, signed a contract to write, produce and direct films for Howard Hughes. For these duties Sturges reportedly received the third-largest salary paid in the United States that year. Thirteen years later he died in reduced circumstances in a New York hotel room. Now, more than two decades later, his career is being re-examined.

A biography has appeared and two more are in preparation. A selection of his screenplays has been published, providing evidence that he was a superior cinematic dialogist. Curiosity about Sturges and his work has been aroused by a revival of his films, with their tonic humor, impudence and defiance of the high-handed censorship of the World War II era.

General Dwight D. Eisenhower declared that Sturges's wartime spoof "The Miracle of Morgan Creek," in which the liaison of a rookie GI with a peasant maid results in the birth of sextuplets, was the best film he had ever seen. When this accolade reached Sturges, he grinned appreciatively, then, wrinkling his brow, inquired of his secretary: "Is there any way of finding out what other films Eisenhower has seen?"

Sturges was born in Chicago in 1898 and reared in pre-1914 Europe. His mother, an attractive, flighty woman, liberated herself from her ne'er-do-well husband after her son's birth. She took off for Paris with her child, divorcing her husband long-distance.

In Paris, styling herself Mary Desti, she became an intimate of Isadora Duncan and joined the Duncan dance group on its travels. Mary and her little boy dressed in the Grecian attire of Duncan and her converts, wearing classic robes and sandals. Mary soon married Solomon Sturges, a Chicago financier, who adopted her son and gave him the family name. That marriage, too, was of short duration, but Preston retained a lifelong respect and affection for his stepfather.

Preston attended schools in France, Germany and Switzerland and was so overdosed with schemes to refine his mind — fatiguing tramps through museums and art galleries, classics matinees and evening concerts — that he developed an aversion for all that was highbrow. "Culture, like cod-liver oil, is probably good for you, but it's devilishly painful to swallow daily," he later said.

His resourceful mother opened a beauty salon in Paris that was soon patronized by affluent ladies charmed by the American proprietress. She was taken up by the uppercrust of La Belle Epoque, and at social receptions her adolescent son met Georges Clemenceau, Sarah Bernhardt, Enrico Caruso, Claude Monet, King Alfonso XIII of Spain and the Prince de Polignac.

When war was declared in 1914, Mary Desti feared that her son, then 16, would enlist in the French Army. She sent him back to his homeland with Duncan and her dancers. In New York he completed his schooling, and when the United States entered the war in 1917 he enlisted and took fighter pilot training. He was commissioned as a second lieutenant after he graduated, but by then the armistice had been signed.

For a spell he did stunt flying at circuses and fairs in the South. He intended to be an aeronautics engineer and inventor. His only successful invention was a kissproof lipstick, sold at the beauty salon his mother opened in New York.

When the booming '20s dawned he was back in New York. Officially he was manager of the Desti beauty parlor, but actually he was making a study of playwriting, attending Broadway openings night after night, trying to solve the riddle of what pleases audiences.

He worked as an assistant stage manager and actor in Paul Osborn's first play, "Hotbed," which dealt with an undergraduate rebellion at a university. Sturges played a campus cut-up who smashes the window of the dean's office with a baseball. He received $85 a week for his pitching stunt and invested it in the production of a play he had written, "The Guinea Pig." Its bright dialogue was praised by reviewers, but its run was brief.

Visiting his stepfather in Chicago, he wrote a second play, a three-act comedy, in three days. He sent it to Brock Pemberton and informed the elder Sturges that in exactly three days at 3 P.M. he would receive word of its acceptance by the Broadway impresario. On the day and hour, the doorbell rang. It was the mailman demanding additional postage on the manuscript.

Still, his prophecy came true, if not at the predicted hour. Pemberton wired him to come to New York. "Strictly Dishonorable" became the comedy hit of 1929. Even the Wall Street crash that occurred a few weeks after its opening could not dent its appeal.

It ran for two seasons on Broadway, and three companies toured it across the country. It was produced in London, Berlin and Rome. Carl Laemmle purchased its screen rights. The movies put out their feelers for its author, too, and he was engaged at a fancy price to write scenarios. For the next 20 years Hollywood was his residence.

He was promoted to directorial status only after an interminable stretch as a scenarist, obliged to watch what he had written being mauled by lesser men.

Sturges made his breakthrough as an author-director with "The Great McGinty," a rogues' comedy about ward politics, done in tongue-in-cheek manner. The film's comic vigor and freshness matched the quality of Sturges's writing. Hollywood had a new stylist of dazzling brilliance.

He depicted Americans of all classes, from the idle rich to the lower ranks, and he was able to reproduce smart cocktail chatter or the talk of Bowery bums with an authentic ring. He never sentimentalized his characters, as Frank Capra did, but humanized their flaws with good-natured laughter. Mark Twain and H.L. Mencken were his favored writers. He described himself as "a humorist working in film."

Hit followed hit, but when he sought to expand his range, he was thwarted by the studio bosses. Seeking independence, he signed with Hughes, but the millionaire proved an erratic overlord. By 1950 Sturges had alienated all the Hollywood moguls and was without employment.

He was married four times, once to a society heiress. His fourth wife, Anne Margaret Nagle, 30 years his junior, was the consolation of his last years, bearing him two sons.

Debt-ridden, he went to Europe to make a new start. He wrote and directed a film in Paris, "The Diary of Major Thompson," derived from a best seller that contrasted French and British traits. It has amusing interludes and flashes of the Sturges wit, but the principal roles were miscast.

In Paris, Sturges was a popular addition to the theatrical bohemia of the 1950s, mingling with the likes of Marcel Pagnol, Fernandel, Jean Renoir and Maurice Chevalier.

Sketch of Preston Sturges (left), and Sturges (fourth from right) with his wife (left), Erich von Stroheim and friends in Paris.

LANGUAGE

Gifts for Glossolaliacs

By William Safire

WASHINGTON — Only two gifts are suitable for a word lover: a new word or a new lover. At the holiday season, let us look at ways to stimulate the ecstatic sighs of the most discerning glossolaliac.

"Biz Speak: A Dictionary of Business Terms, Slang and Jargon" by Rachel Stein Epstein and Nina Liebman (Watts, $17.95) is perfect for the kid who was graduated from business school last June and is now making a million a year on his way to the penitentiary. The entry that caught my eye is *plug-compatibility*, a computer term for software designed for one operating system that can also be run on another. "If Burroughs machines could run IBM software," write the lexicographers, "the systems would be plug-compatible. They are not."

The economist Herbert Stein, coiner of such phrases as *supply side* and *Kemp follower*, wrote "Washington Bedtime Stories: The Politics of Money and Jobs" (Free Press, $19.95), the only economics book written in understandable English this year. It contains such examples of seeded-wry wit as this definition of *neo-conservatism:* "Old wine drunk by new winos."

The Dictionary of American Regional English has already spawned its first offspring, "American Regional Dialects: A Word Geography," by Craig M. Carver (University of Michigan Press, $29.95). This work, for scholarly types, has a fascinating appendix examining the patterns being found in the DARE statistics and showing how usage varies from one part of the United States to another.

For example, a loosely woven cloth bag is called a *croker sack* in the lower South, a *tow bag* in North Carolina, a *grass sack* in Virginia and a *gunnysack* out West.

"A Word or Two Before You Go" (Wesleyan University Press, $14.95) by Jacques Barzun, the grandmaster of usage, takes its title from a remark in Shakespeare's "Othello," which he suggests was followed by the admonition "No more of that, I pray you, in your letters."

Barzun is more of a hard-liner than I am and stoutly resists the use of such a term as *verbal agreement* to mean only "oral agreement." (He thinks it means both oral and written agreements, with *verbal* used to differentiate from *nodded assent;* I think *verbal agreement* and *oral agreement* are now synonymous, differentiated from *written agreement.*)

A fine companion volume to Barzun's standard-bearing for Standard English is the "New Dictionary of American Slang" (Harper & Row, $21.95) by Robert L. Chapman. This is an updating and a revision of the classic dictionary by Wentworth and Flexner, and its weakness lies in not including dates and citations for sources.

The strength of a new slang dictionary, of course, lies in its additions to the language: *800-lb. gorilla* is defined as "a powerful force," and *puzzle palace* as "any higher headquarters."

"A Handlist to English: Basic Terms for Literature, Composition, and Grammar" ($4.95, University Press of America) by Stan Malless and Jeff McQuain is a quick, down-and-dirty way for students to understand all the terms needed to pass basic courses in English. But it is more than an extended crib sheet: the authors use good examples to help you remember differences. *Verbal irony*, when a speaker says the opposite of what is true, is exemplified in Mark Antony's description of Caesar's assassins as "honorable men"; *dramatic irony* occurs when the reader knows that the opposite of what a character expects will happen, as when Romeo thinks Juliet is dead; *situational irony* occurs when a person is unaware that the opposite of what he expects will happen. Example: "You have studied hard for two weeks for a final exam, only to find out on exam day that you have studied the wrong notes."

THE noun *present*, by the way, comes from the Latin *praeesse*, "to be before [someone]," which led to the Old French *presenter*, "to make a presentation of." *Present*, as in *Christmas present*, connotes a small thing, given with affection; the word is synonymous with, but less formal than, a *gift*, which a certain French perfumer will be pleased to learn may be rooted in the German word for "poison." (Ewe wha'?) Advertisers lure the unwary with a redundant *free gift*, but for some reason, no pitchman suggests he will present you with a *free present.*

New York Times Service

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